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Tuesday - January 17, 1978

8:15 Dr. Zbigniew Brzezinski - The Oval Office.

✓ 9:00 Speaker Thomas P. O'Neill, Jr. (Mr. Frank
(30 min.) Moore) - The Oval Office.

10:00 Meeting with Members of the 94th and 95th
(60 min.) Caucus. (Mr. Frank Moore).
The State Dining Room.

11:15 Mr. Jody Powell - The Oval Office.

11:30 Admiral Stansfield Turner and Dr. Zbigniew
(20 min.) Brzezinski - The Oval Office.

12:00 Lunch with Congressman Morris K. Udall.
The Oval Office.

1:00 Congressman Al Ullman. (Mr. Frank Moore).
(15 min.) The Oval Office.

✓ 1:30 Senator Howard W. Cannon. (Mr. Frank Moore).
(15 min.) The Oval Office.

2:00 HAIRCUT.

✓ 3:30 Meeting with House Steering and Policy Committee.
(60 min.) (Mr. Frank Moore) - The Cabinet Room.

9:45 Telephone call to Albuquerque, New Mexico,
(Panama Canal Forum).

Amgen
6697

THE WHITE HOUSE
WASHINGTON
January 17, 1978

Frank Moore

The attached was returned in the President's outbox today and is forwarded to appropriate handling. Please have the attached letters delivered.

Rick Hutcheson

cc: The Vice President
Stu Eizenstat

RE: LETTER FROM SENS. PROXMIRE
AND BROOKE

THE WHITE HOUSE
WASHINGTON

January 17, 1978

Secretary Blumenthal

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.


Rick Hutcheson

RE: LETTERS TO SENS. PROXMIRE AND
BROOKE

THE WHITE HOUSE
WASHINGTON

January 14, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT 
SUBJECT: Letter from Senators Proxmire and Brooke

Attached is a proposed letter from you to Senators Proxmire and Brooke in response to their letter to you suggesting that the federal government not renew its seasonal financing and proposing ways in which the local parties can make up all the difference.

This letter has been drafted by our staff and the Treasury Department and has the approval of Treasury.

I recommend that you sign both letters. They repeat your position on bankruptcy but make it clear that the local parties have to play an important part in the solution of the New York City problems.

TWO SIGNATURES REQUESTED

THE WHITE HOUSE

WASHINGTON

January 17, 1978

To Senator Edward Brooke

Thank you for your recent joint letter concerning New York City's current financial situation. I appreciate your willingness to share your detailed, well-reasoned analysis and views with me.

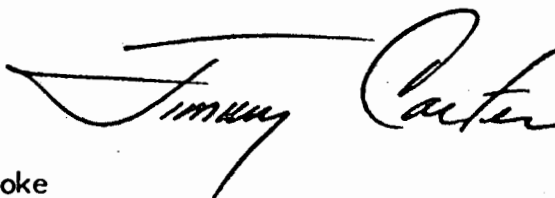
As you are aware, Secretary Blumenthal is in the process of preparing recommendations to me on the issue of Federal financing assistance to New York City after June 30, 1978. I have referred an information copy of your letter to him to insure that our policies take account of your views. Furthermore, I have asked Secretary Blumenthal to solicit detailed comments on your letter from Governor Carey and Mayor Koch so that their views are also reflected.

I prefer to withhold comment on the specific issues raised by your letter until our policies concerning New York City's financing needs are more fully developed, after the City's budget and financing plans have been submitted to and reviewed by the Department of the Treasury.

As you know, I have previously stated that bankruptcy is not a viable option for the City of New York. I remain committed to that view. Of course, I have always presumed that the various local parties would have significant responsibilities in any plan to meet New York's financing needs and that these parties would carry out their appropriate responsibilities in the upcoming years. Treasury is now in the process of discussing with City and State officials the future financial relationships among the various interested parties. I strongly believe that there can be no permanent solution of the City's financial problems without the cooperation of these parties.

I look forward to working with you and other members of Congress on this important issue in the upcoming months.

Sincerely,

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is fluid and cursive, with a large, sweeping "C" at the end.

The Honorable Edward W. Brooke
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

January 17, 1978

To Senator William Proxmire

Thank you for your recent joint letter concerning New York City's current financial situation. I appreciate your willingness to share your detailed, well-reasoned analysis and views with me.

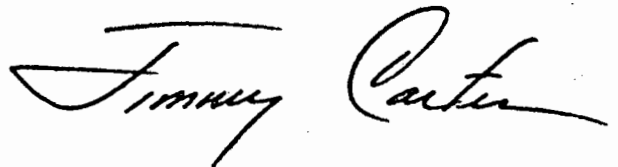
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I look forward to working with you and other members of Congress on this important issue in the upcoming months.

Sincerely,

A handwritten signature in dark ink, reading "Jimmy Carter". The signature is fluid and cursive, with the first name "Jimmy" and the last name "Carter" clearly distinguishable.

The Honorable William Proxmire
United States Senate
Washington, D.C. 20510

WILLIAM PROXMIER, WIS., CHAIRMAN

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507
CI03
United States Senate

COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

WASHINGTON, D.C. 20510

December 23, 1977

cc: Bruce
Rosenbaum

ack-p/draft by Juss.

LIAMIN

DIR 30 100 Roger
Asst. Secy. Altman
3321 Main Bldg.
566-2103

The President
The White House
Washington, D. C. 20500

Dear Mr. President:

The Committee on Banking, Housing and Urban Affairs held oversight hearings on the New York City Seasonal Financing Act on December 14, 15 and 16, 1977. Pursuant to those hearings, a Committee Report outlining the findings and recommendations will be issued sometime in January. However, we thought it advisable to inform you of our own views as quickly as possible, since they may have a bearing on the decisions you will soon have to make regarding Administration policy on the New York City financing issue. As you know, the present \$2.3 billion Federal seasonal loan program expires on June 30, 1978.

Witnesses at our oversight hearings gave a clear signal that New York City will be seeking and expecting an extension of the seasonal loan program beyond June 30, 1978, and will likely be requesting some long-term financing assistance as well. It was stated or implied repeatedly that the City needs such additional aid or else it will go bankrupt after June 30.

Based on information obtained in the hearings and elsewhere, we are yet to be convinced that further financial assistance from the Federal Government is needed for New York City to be able to meet its financing needs and avoid bankruptcy after June 30, 1978. There are resources available to New York City and New York State which should be sufficient to maintain solvency regardless of what the Federal Government does. And since it is by no means certain that Congress will approve any additional Federal aid to New York City, we think it is essential that alternative sources of financing be given serious consideration at the present time.

We should note as well that the political and economic climate that is likely to prevail in mid-1978 will be considerably different from that of late 1975. In 1975, New York City's finances veered toward chaos and no resolution of the problem seemed possible absent Federal involvement. In 1978, the size of the financing problem will have been considerably reduced, and the City's record of significant progress on a number of issues --

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budget balance, accounting reforms, cuts in payroll and programs -- can be expected to put it in a better position to sell its securities. Thus, we would judge that the probability of the financial community stepping in to assist New York City following the expiration of the Federal seasonal loan program is considerably greater. Furthermore, there will be in office a new mayor who has stated firmly, in a letter produced for the Committee's hearings, "there will be no bankruptcy for the City of New York."

There are several steps which we believe New York City can and must take in order to be in a position to meet its financing needs without reliance on the Federal Government. These include achieving real budget balance and taking other actions necessary to assure investors of the security of the City's obligations. In our view, these conditions can and must be met in the next three to four months, or else the City will face grave consequences whatever the Administration and Congress decide to do. With this as a premise, we shall elaborate on the City's expected financing needs over the next three years, both long-term and short-term, and the resources available for meeting those needs outside the Federal Government.

First, the oversight hearings revealed a universal and unequivocal view that New York City must achieve a credibly balanced budget and thus allay the fears caused by the magnitude of the deficit projections for fiscal year 1979. This will require the development of a detailed financial plan which demonstrates the City's ability to achieve recurring budget balance over at least the next three years. As we see it, this plan would have to include the following elements, among others:

1. a schedule for phasing out all of the operating expenses contained in the capital budget (presently about \$643 million) over the period of time covered by the financial plan;
2. a signed City-wide agreement on the economic terms and budget costs of the City employee union contracts over that period; and
3. a commitment from New York State to provide substantial additional amounts of financial aid to the City during that period, in order to enable the City to attain recurring budget balance.

We should like to underscore this third point, regarding the role of New York State. Figures obtained by the Committee indicate that during the years of the fiscal crisis and the years of the Federal loan program, that is, fiscal years 1976 through 1978, the amount of State aid to New York City has remained virtually unchanged. The increase during that period has been less than 4 percent, not nearly enough even to keep up with inflation. During that same time period, Federal aid to New York City has gone up markedly, by about 28 percent. In fiscal year 1976, State aid to the City ran about 9 percent higher than Federal aid; now it is 14 percent lower. While there may be some question about the exact numbers, we understand that figures developed by the Treasury Department show a similar trend.

We believe that States have the primary responsibility for their cities under our Federal system, and we think it likely that you share this belief. However, we found in the hearings that not only does New York State have no plans to provide more budget relief to New York City, but in fact it is planning a general tax cut of some \$500 million. Although we can comprehend the arguments for some tax relief, we see no reason at all why New York State should not be required to shoulder far more of the burden of eliminating the City's budget deficit, possibly by bringing its funding of welfare and medicaid costs more into line with the practices of other States. And, while not wishing to belabor the obvious, we should note that it would be most difficult for anyone to persuade Members of Congress to vote additional Federal financial aid to New York City so that New York State residents and elected officials can enjoy the benefits of a tax cut while similar benefits may well not be available to their own constituents.

As a second major point, in addition to balancing the budget, New York City will have to satisfy certain conditions designed to secure sufficient investor confidence to allow the City to borrow on its own in the credit markets. Testimony at the Committee hearings indicated that there is basic agreement on the nature of these conditions within the financial community, and basic acceptance of the need for them by other parties concerned with the City's financing. The conditions can be summarized as follows:

1. Establishment of an accounting and budgetary control system which will produce reliable City financial statements developed in accordance with generally accepted accounting principles.

2. Outside audit of the City's financial statements by a reputable accounting firm on at least an annual basis, with reports made available to the public.

3. Establishment of an independent review mechanism, along the lines of the present Emergency Financial Control Board, with authority to require that the budget be balanced and that the City follow reasonable budgeting and borrowing practices.

The last of these, the review mechanism, will require action by the State Legislature, which also must consider and act on the proposal to increase the Municipal Assistance Corporation's borrowing authority by some \$3 billion. The other two are the City's responsibility and, indeed, are already in the process of being accomplished.

In our view, all of the above are essential conditions which must be met by New York City and New York State as rapidly as possible in the coming year. We would suggest April 1, 1978, as a reasonable deadline by which all of these should either be fully accomplished or firm commitments made to accomplish them over the three-year period.

With all of these elements in place, well in advance of the expiration date of the Federal loan program, we then believe that New York City would be able to obtain the financing it needs on its own and thus avoid the danger of bankruptcy after June 30, 1978. We shall discuss below the City's estimated financing needs, both long-term and short-term, over the next three years and the most promising sources of financing available to meet those needs.

In his testimony at the oversight hearings, Felix Rohatyn, Chairman of the Municipal Assistance Corporation, outlined for the Committee his estimates of New York City financing needs, both short-term seasonal and long-term capital needs, over the next three years. He also described his plan for meeting those

needs, which involves a phase-down of the \$2.3 billion in Federal seasonal loans and a phase-in of \$2.25 billion in Federal long-term lending over that three-year period. We will use the Rohatyn plan as a basis for discussing alternative sources for New York City's financing during that period.

A. Long-term financing.

The Rohatyn plan describes three areas in which long-term financing would be utilized over the next three years. The first and most basic is the City's capital budget, including the expense items which are to be phased out. Mr. Rohatyn sees the capital financing needs as running at the level of \$3 - 3.15 billion over the three-year period, or about \$1 billion a year. Based on our own estimates and on discussions with officials in New York City, we believe that those figures are somewhat high. It must be borne in mind that the \$1 billion annual figure includes a sharply declining level of operating expenses, which means therefore a sharply rising level of "true" capital spending. It is questionable whether New York City would have the capacity, let alone the resources, to gear up to a capital program of \$800 million or more within three years, from the present level of \$428 million, however great its needs may be. The following would seem to be reasonably realistic, in fact reasonably generous, estimates of the City's capital financing needs over the next three years, including both "true" capital and operating expenses on a phased-down basis:

	FY 1979	FY 1980	FY 1981
Capital	\$450 million	\$550 million	\$700 million
Expense items	\$500 million	\$350 million	\$150 million
Total	\$950 million	\$900 million	\$850 million

Thus we would reduce the overall estimate of long-term capital financing needs from \$3 billion or more to \$2.7 billion. Presumably these amounts might even be reduced further if need be, either by cutting down on capital investment or by speeding up the phase-out of the operating items, or both.

The question now is how the City would finance this \$2.7 billion capital budget. Mr. Rohatyn has said that MAC has the economic capacity under its existing bond resolutions to raise another \$2.5 to \$3 billion over the three-year period, assuming State authorizing legislation and favorable markets. This means that in the best case, MAC should be able to cover all of the City's capital financing needs. Even assuming the lower figure, it could still finance most and perhaps all of a stringent, bare-bones capital budget.

In addition to MAC, the City should also be able to count on some further financing assistance from its employee pension funds. We recognize the major contribution that the City employee pension funds have already made in shouldering the burden of New York City's long-term financing needs in the past three years, since the credit markets closed against the City. By June 30, 1978, the pension funds will have a total of \$3.844 billion invested in New York City securities, which amounts to 35.3 percent of their total assets. This includes \$2.53 billion invested pursuant to the November 26, 1975 Agreement. It may not be reasonable to expect the unions to increase substantially the proportion of their resources invested in long-term City bonds over the next three years, but neither would it be wise to encourage a significant decrease in their holdings at the very time the City may be most in need of a financing bridge to the long-term capital markets. Moreover, the financial fate of the pension funds will still be closely linked to that of the City. So whatever may be the expressed desires of the union leadership, we think it would be reasonable to expect the City employee pension funds at least to maintain their existing level of commitment to the City's long-term financing, which would involve the following actions:

1. Reinvestment of the amounts of their holdings which will be maturing over the next three years. According to our calculations, based on tables supplied by Jack Bigel, consultant to the pension funds, this would amount to a total of about \$700 million.

2. Investment of 35.3 percent of the new investable funds accruing to the pension funds over the next three years, thus holding constant the overall level of investment in long-term City bonds. It has been somewhat difficult to obtain projections of pension fund investable funds over the entire period, but we have made some rough calculations.

According to a memorandum submitted by Mr. Bigel, the City pension funds anticipate a cash flow surplus of \$380 million in the next fiscal year, 1979, but that amount is likely to be reduced by certain one-time expenses to a level of about \$150 million. One can extrapolate from this data to estimate that additions to investable funds in the succeeding two fiscal years, 1980 and 1981, would equal at least the \$380 million figure and would probably not be encumbered by the unusual expenses faced in 1979. Therefore, we calculate the additional investable funds to the City pension funds over the three-year period to be at least \$900 million. If the pension funds then were to maintain their existing 35.3 percent level of investment in City bonds, this would provide a minimum of \$320 million in additional financing for New York City's capital needs.

It is likely that an extension of P. L. 94-236 with some amendments would be needed to permit these additional City pension fund investments. If this is the case, then we assume that the Administration would request the necessary legislation in a timely fashion.

To sum up, we believe that sufficient long-term financing would be available for New York City in the next three years from sources other than the Federal Government to more than meet the City's basic capital financing needs. We estimate that at least \$1 billion could be supplied by the City employee pension funds, in addition to the \$3 billion Mr. Rohatyn has said could be obtained through MAC, for a total of around \$4 billion. This would not only be enough to finance a \$2.7 billion capital budget, but also possibly to do some of the other long-term financing actions mentioned in the Rohatyn plan, to which we would assign a lower priority. These are discussed below.

The Rohatyn plan designates two other uses for long-term financing over the next three years:

- \$600-800 million for restructuring City bonds
- \$750-800 million for bonding out the State advance

While these actions may be desirable, they do not appear to be essential to avoid bankruptcy, which is the focus of our attention. They should be placed in a category of actions to be taken if resources permit.

We would assign second place to the restructuring of some \$600-800 million in City bonds which will be maturing in the next three to four years. Although we have not been able to obtain precise data, we have been told that refinancing these bonds to stretch out the debt service over a much longer period of time would potentially provide budget savings to the City of up to \$200 million a year, amounts that could roughly offset the cost of phasing out the expense items in the capital budget. Alternatively, there could be some property tax relief. Thus it would seem desirable from a budgetary standpoint to do this restructuring, but only if the resources are there.

Finally, there is the matter of bonding out the State advance, which runs at \$750-800 million a year. We have mixed feelings about this. On the one hand, it would have the salutary effect of reducing the City's seasonal borrowing needs. With this and some other adjustments, the Rohatyn plan estimates that the City's present seasonal borrowing needs of about \$2 billion a year could be cut in half, down to \$1 billion. This would lower the City's debt service costs, and quite possibly facilitate its re-entry into the credit markets for short-term borrowing purposes.

On the other hand, this \$800 million seasonal financing is basically guaranteed the City, whereas the equivalent amount of long-term financing is not. Moreover, New York State would be the principal beneficiary of the bonding out of the advance; this would relieve the State of its present need to provide back-door seasonal financing and thus would improve the State's own borrowing picture considerably. All this runs somewhat counter to our view that the State should be more, not less, involved in the City's finances. While we would not oppose the bonding out of the State advance if it can be done with available resources, we would certainly not assign it top priority, and we would definitely oppose the use of Federal long-term financing to accomplish this purpose.

In conclusion, then, we find there is ample reason to believe that New York City could cover its long-term financing needs over the next three years from resources immediately available to it, even in the absence of any financial aid from the Federal Government beyond June 30, 1978. Furthermore, we would not preclude the possibility of the City's being able to do some long-term capital financing on its own, through offerings of new City bonds, at least in the latter part of the three-year period.

However, this is not essential to the basic aim of meeting the City's long-term financing needs.

B. Short-term financing.

The Rohatyn plan estimates that New York City's short-term seasonal financing needs over the three-year period will amount to \$1.8 billion a year if the State advance is not bonded out, or \$1 billion a year with the bonding-out. We see no reason why these amounts should not be forthcoming from sources other than the Federal Government, for the following reasons among others:

1. The security for those seasonal borrowings is strong, since they are all geared to anticipated revenues from the State. The State's credit is strong, and there are statutory or other express commitments to providing these revenues over at least the next three years.

2. The City has an impeccable record of repaying its seasonal loans from the Federal Government in full and on time or ahead of schedule. There is little reason to believe that other investors could not feel assured of a similar repayment record. Furthermore, with the Federal Government out of the picture, there would be no impediment to repayment arising out of any express or implied prior lien on revenues by the Federal Government.

In our view, New York State should be looked to as the principal source of seasonal financing until such time as these needs can be fully met in the private markets. Governor Carey has told the Committee repeatedly that the State Constitution prohibits lending to a municipality. However, a memorandum from State Comptroller Levitt which the Governor submitted to the Committee a year ago gives some indication that the Constitution may not bar lending for short-term seasonal purposes. The memorandum stated, in part, that "the present Constitutional ban on gifts or loans of the State's credit precludes borrowing to assist the City except by notes payable within a year out of current revenue." (emphasis added) The latter phrase would appear to describe rather clearly the nature of seasonal borrowings and would suggest that the State might be able to assist the City directly in meeting some of those short-term needs.

Even if there might be some additional legal impediments to direct State financing, there is no legal barrier to the State pension funds' picking up substantial amounts of the City's short-term notes. These State pension funds hold very considerable assets, and the Committee was informed in the oversight hearings that they have made no real commitments to the City's financing, either short-term or long-term. Given the importance to the State and its public employees of New York City's avoiding bankruptcy -- an eventuality which could imperil the State's finances as well -- we see every reason to expect that the State pension funds should be able to backstop the City's seasonal borrowing needs, to the extent that they cannot be met in the private markets.

There are two State pension funds: the general State employees retirement fund, which has total assets of \$9.2 billion, and the teachers retirement fund, with total assets of \$5.8 billion. Neither has any significant holdings of either New York City bonds or MAC bonds. Even if the pension funds were to pick up the whole \$1.8 billion in seasonal financing, which may not be feasible, this would amount to only 12 percent of their assets. This would be far smaller than the commitment made by the City pension funds, and it would be on obligations whose quick repayment is assured and at attractive rates of interest. As an additional note, we assume that this type of commitment to seasonal financing would not preclude State pension fund investments in MAC bonds as well. In fact, we believe that these pension funds should be urged to make such investments in amounts that are reasonable in light of the size of their assets and the make-up of their portfolios. Should Federal legislation along the lines of P. L. 94-236 be needed to permit these State pension fund investments, we assume the Administration would request such legislation in a timely fashion.

Finally, we come to the role and responsibility of the New York banks and other financial institutions in meeting New York City's financing needs. The total domestic assets of New York State commercial banks, savings and loan associations, and savings institutions were approximately \$305 billion as of June 30, 1977, and approximately \$247 billion of those were assets of financial institutions headquartered in New York City. From these figures, it is evident that it is well within the means of the New York financial institutions to cover much or all of New York City's

seasonal financing needs, which equal far less than one percent of their assets. The only question is whether the condition of these institutions and of the City would permit such a level of investment.

We feel there is every reason to believe that financial institutions located in New York City and in New York State are in a far better position now to take on more New York City-related obligations than they were in 1975, for several reasons. First, the economy is in better shape now, and the financial strength of the banking industry has improved. Second, the banks hold no short-term City notes at all at the present time, nor are there any such obligations still outstanding or in default. Third, the City has made tremendous strides toward putting its financial house in order in the past three years and will do still more in the next few months. Fourth, the banks can look to the record of repayment of the Federal seasonal loans as a firm indication that the City will live up to its commitments and repay its borrowings. Fifth, although the recently attempted City note offering failed due to the MIG-4 investment rating, it is important to recall nonetheless that the Comptroller of the Currency and the Federal Reserve Board both declared the notes to be eligible investments for the banks they regulate. For all these reasons, we think it reasonable to expect the banks and other financial institutions in New York City and New York State to pick up a substantial volume of short-term City notes over the next three years, and significant amounts of long-term MAC and new City bonds as well.

The Committee received testimony at the oversight hearings from the heads of six of the largest banks in New York City -- Citibank, Chase Manhattan, Morgan Guaranty, Bankers Trust, Manufacturers Hanover, and Chemical Bank. These banks alone represent total capital of \$10 billion and total assets of \$123 billion. Among them, Chemical Bank had by far the largest holdings of New York City and MAC bonds -- about \$342 million, or 1.9 percent of assets. The other banks had a much smaller proportion of their holdings in these obligations, and there is every reason to assume that they could invest in far larger amounts of MAC and New York City obligations, particularly new short-term notes, without jeopardizing their financial condition. Certainly, there is no reason to assume that such

investments would be any more risky than some of these banks' foreign loans, which consume a far larger proportion of assets. And although the bankers who testified were reluctant to make firm commitments, they did indicate that they would do their share in any future efforts to meet New York City's financing needs.

It is apparent, then, that we are skeptical about the need for continued Federal financial assistance to New York City. Moreover, we also believe that a renewal of the New York City loan would not necessarily serve the best interests of the Federal Government or the nation. First of all, continuing the loan program might encourage other municipalities to look to the Federal Government for similar financial aid in times of economic stress. While the Federal Government has an obvious role to play in assisting cities through its various grant-in-aid programs, a dangerous precedent would be set if the Federal Government became viewed as the ultimate guarantor of the fiscal solvency of municipalities. Such a precedent would certainly weaken the incentive for local self-discipline and erode the foundation of our Federal system.

Secondly, we believe a continuation of the Federal loan program will of necessity involve both the Congress and the Executive Branch in making judgments on the internal affairs of New York City which, under our Federal system, should be the responsibility of local officials. We do not believe Federal officials should be forced to get involved in highly controversial local matters such as wage rates for municipal employees, State or city tax cuts, tuition charges for city universities, subway fares, rent control, or salaries for members of the city council. Indeed, Members of the Senate Banking Committee have taken a good deal of personal criticism for speaking out on these issues. However, as long as we have Federal financial involvement in the affairs of New York City and the need to safeguard the Federal investment, we believe that both the Congress and the Executive Branch will have to take highly unpopular positions from time to time. In the long run, it is much better to have these decisions left to the City and the State without involving the Federal Government.

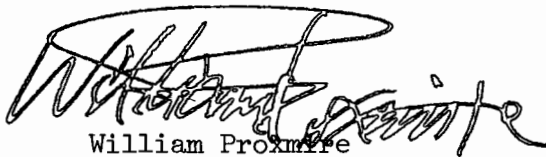
We realize that our views may not be well received by some. Witnesses at the oversight hearings, including those from the financial community, expressed the view that extension of the Federal loan program in some form is necessary, and some of them clearly espoused the Rohatyn position that long-term Federal financing is needed as well. We believe it is vital that the contrary position be considered and weighed carefully, both in the interest of responsible public policy and in the interest of New York City's financial survival after June 30, 1978.

Mr. Rohatyn has stated that simply extending the Federal seasonal loan program would be the "application of a band-aid to a continually bleeding wound." We believe, on the contrary, that it would be a continuing crutch for a patient that should be made to walk again.

We hope that the points raised in this letter will be a part of your deliberations on Administration policy toward New York City in the coming year.

Best wishes for the holiday season.

Respectfully,



William Proxmire
Chairman



Edward W. Brooke
Ranking Minority Member

THE PRESIDENT HAS SEEN.



OFFICE OF THE VICE PRESIDENT
WASHINGTON

C/

January 17, 1978

Mr. President:

I can't tell you how much your presence in Minnesota yesterday meant to the Humphrey family and all of Hubert's friends. Countless people mentioned to Fritz and the rest of us that they were deeply moved by your eloquent statements of both Sunday and Monday, but they were especially touched that you took the time to come and personally demonstrate the obvious respect and affection you had for Hubert. All of us who shared your love for him will be forever grateful that you chose to participate in the celebration of his life in such a meaningful and moving way.

Lin Moe

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for Preservation Purposes

224

THE WHITE HOUSE
WASHINGTON

January 17, 1978

Zbig Brzezinski

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: PRIME MINISTER KOIRALA'S
HEALTH

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
✓	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

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AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

EXECUTIVE COUNCIL
GEORGE MEANY LANE KIRKLAND
PRESIDENT SECRETARY-TREASURER

5C

PAUL HALL
MATTHEW GUINAN
FREDERICK O'NEAL
GEORGE HARDY
WILLIAM SIDELL
ALBERT SHANKER
SOL C. CHAIKIN
ANGELO FOSCO
J. C. TURNER
KENNETH T. BLAYLOCK
HARRY R. POOLE

JOHN H. LYONS
PETER BOMMARITO
JERRY WURF
AL H. CHESSER
MURRAY H. FINLEY
C. L. DELLUMS
HAL C. DAVIS
CHARLES H. PILLARD
LLOYD MCBRIDE
EMMET ANDREWS
WM. W. WINPISINGER

A. F. GROSPIRON
THOMAS W. GLEASON
S. FRANK RAFTERY
MARTIN J. WARD
JOSEPH P. TONELLI
GLENN E. WATTS
EDWARD T. HANLEY
WILLIAM H. MCLENNAN
DAVID J. FITZMAURICE
ALVIN E. HEAPS
WILLIAM H. WYNN



815 SIXTEENTH STREET, N.W.
WASHINGTON, D.C. 20006

(202) 637-5000

3/6/9 advise J

THE PRESIDENT HAS SEEN.

January 12, 1978

The President
The White House
Washington, D.C.

Dear Mr. President

It has come to my attention that the health of former Prime Minister of Nepal, Mr. Bisheshwar Prasad Koirala, has rapidly deteriorated and that his life may be in jeopardy. This follows his re-arrest in Katmandu last November upon return from the United States following medical treatment for throat cancer.

Mr. Koirala's belief in freedom and democracy and his life-long commitment to those goals are well known throughout the world. In this, his time of need, it is important that the forces of justice and the defenders of human dignity come to his side.

I would hope that the Government of the United States makes clear to the Government of Nepal the interests of American citizens in Mr. Koirala's well-being.

Sincerely,

President

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THE WHITE HOUSE
WASHINGTON

January 17, 1978

Frank Moore

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

RE: PURPOSE OF MEETING WITH
MO UDALL

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

1st page

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
✓		MOORE
		POWELL
		WATSON
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	ENROLLED BILL
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	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

12:00 PM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 16, 1978

LUNCHEON MEETING WITH REP. MO UDALL (D-2-AZ)

Tuesday, January 17, 1978

12 noon (30 minutes)

The Oval Office

From: Frank Moore

I. PURPOSE

?

To discuss the legislative agenda and priorities for the coming year with emphasis on civil service reform, the White House Authorization bill, and the Alaska D-2 lands.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

Background: Mo is chairman of the Interior and Insular Affairs Committee and ranking member on the Post Office and Civil Service Committee. He has been generally supportive of most of the Administration's proposals and yet there is an undercurrent of sensitivity--all the campaign scars have yet to disappear. This would be a good opportunity to clear the air and establish a harmonious working relationship with a committee chairman.

Participants: The President and Rep. Udall.

Press Plan: White House Photographer.

III. TALKING POINTS

1. White House Authorization bill.
Mo has been contacted by the Vice President and has been generally cooperative in working out the difficulties in the White House Authorization Bill. Our staff has been working with committee staff and we may be coming to Mo for a final push for help on working out the agreement.
2. Civil Service Reform.
Mo has been working with Scotty Campbell of the Civil Service Commission on the subject of civil service reform. Mo made a major address recently in which

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he began positioning himself to split with labor over the proposal. He favors the creation of a senior executive service, the elimination of red tape with regard to disciplinary procedures, and the removing of rigidities that pass as merit when in fact they obstruct both merit and accomplishments. If you received any guidance from the Speaker with regard to how the House might proceed in processing the civil service reform legislation, you might want to get Mo's reaction to the Speaker's suggestions.

3. Alaska D-2 Lands.

The Interior Committee, which Mo chairs, will be handling the Alaska D-2 lands bill. We have asked the Congress to designate 92 million acres as national parks, forests, wildlife refuges, and wild and scenic rivers. Mo should be thanked for his consistent support of the Administration's request, and you should ask his advice on how best to proceed on our mutual goals.

4. Central Arizona Project

At some point during the conversation, you might want to mention that the Central Arizona Project is included in the Fiscal Year '79 Budget and is on an accelerated completion schedule over that of the FY '78 Budget.

THE WHITE HOUSE

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1:30 PM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 16, 1978

MEETING WITH SENATOR HOWARD CANNON

Tuesday, January 17, 1978

1:30 P.M. (15 minutes)

The Oval Office

From: Frank Moore *J.M./BR*

I. PURPOSE

To discuss various aspects of the 1978 agenda.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

A. Background: This meeting has been scheduled at your request in order to develop better relationships with key leaders of the Senate. Senator Cannon is the new Chairman of the Committee on Commerce, Science and Transportation. He is moving quickly to make his imprint on the Committee by appointing two of his own chief staff members.

B. Participants: The President
Senator Cannon
Frank Moore

C. Press Plan: White House Photo only.

III. TALKING POINTS

1. You should ask Senator Cannon how he sees the agenda for the Commerce Committee this year. We expect he will still be enthused about airline regulatory reform, but he will be less enthusiastic about consumer legislation passing through his Committee.
2. The Senator should be asked for his support on the B-1 and Panama Canal Treaties. On the B-1, he is strongly opposed to your position. On the Treaties, we carry him as leaning against, but not irretrievably so.

3. If reform of trucking regulation is not one of your top legislative priorities at this time, you should find a way to tell Senator Cannon that. He will be willing to work closely with us on seeing that our priority items are dealt with by the Committee first.

Airline Reform

1. We suggest that you congratulate Senator Cannon for getting through the Senate Committee the airline reform bill. The vote was 13-3. It was an extremely long and tough markup (approx. 25 markup sessions), and it is no exaggeration to say that without Senator Cannon's strong leadership the bill would never have been reported.
2. We share Senator Cannon's commitment to a strong automatic market entry section that allows carriers to enter a limited number of new markets each year without CAB approval. This is the heart of the bill and we are lobbying hard for it.
3. You have identified the bill as one of your top priorities. We have set up briefings for Senate staff beginning this week and we will meet with Senators as the time for a vote draws closer. We remain at Senator Cannon's disposal for any help that he might need.

Trucking Reform

1. We suggest that you mention your interest in trucking reform to Senator Cannon, and solicit his advice on how we should proceed and when. The trucking subcommittee Chairman, Russell Long, has shown no interest in trucking reform. Because of Senator Cannon's strong position on airlines, he may wish, as Chairman of the full committee, to push next on trucking. (One caution: the Teamsters in Nevada are very strong, much stronger than any airline interests in that state.)
2. You have tentatively decided to postpone a trucking legislative initiative until the air bill is passed. Stu's staff is currently studying the options for trucking reform.

No-fault Auto Insurance

1. No-fault is high on Senator Magnuson's and Senator Byrd's lists for committee action. Secretary Adams has endorsed no-fault, but Senator Cannon has been lukewarm on the issue. He voted for the bill in 1972 and 1974 when it was before the Senate, but in 1976 he voted against it. This is not one of our high priorities, but we do support the bill. Points you may want to cover with Senator Cannon are:
 - a) Your support of S.1381 came only after long study because of your inclination to favor state action rather than federal action.
 - b) The trial lawyers, however, have managed to retard the passage of viable no-fault bills in the states. While both Georgia and Nevada have adopted no-fault systems, neither is effective due to the low level of no-fault benefits.
 - c) The trial lawyers have prevented the passage of any state no-fault legislation since 1975.
 - c) The Magnuson no-fault system allows for individual states to develop no-fault programs to meet their individual needs but assures that they will be effective by establishing minimum benefit levels.

Consumer Agency Legislation

1. While the consumer agency legislation is not a Commerce Committee bill, his support as the Chairman of a major Committee is needed. He has been a shakey supporter in the past.

*Mr. President - - items on which Cannon was briefed last 1:30 p.m.
except by his staff... which he may raise today...
per frank more*

Meeting with Senator Cannon

Railroads. Senator Cannon's Commerce Committee will be asked to consider several bills concerning railroads in this session of Congress. The following issues will be of primary concern:

- A. Amtrak - amendments to Rail Passenger Act concerning calculating compensation owed to carrier railroads will be proposed, and action on extending authorization for appropriations will be required.
- B. ConRail - additional capital and operating subsidies will be sought by Congress, but DOT will try to minimize increases.
- C. Freight Rail - new or expanded assistance to private freight railroads may be sought. GAO report on Alaskan Railroad may spark call for an Administration bill on its future.
- D. Rail Branchline - increased Federal share and expanded program.
- E. Northeast Corridor Improvement Project - DOT will seek speed up in funding and propose legislation on indemnification of contractors against liability to third parties arising out of their services for the NECIP. OMB and DOT struggling over cost of indemnification proposa.

You may wish to express to Senator Cannon your firm belief that government involvement in the railroads should be minimized.

*Mr. President - Frank just heard that Cannon's staff
briefed the Senate on these items last
night... (and he may
bring them up today)*

Meeting with Senator Cannon

Aircraft Noise Bill. Representative Anderson (Aviation Subcommittee Chairman) is pushing an airline noise bill and would like to "trade" his noise bill for Senator Cannon's reform bill. Secretary Adams has supported a ticket surcharge to help airlines reduce noisy aircraft, but we continue to oppose other provisions that:

- allow spending programs to purchase land near airports;
- increase the appropriations of the airport trust fund.

Congressman Anderson's noise bill has been reported out of the House Public Works Committee and is currently at the House Ways Committee. Because we oppose some provisions in the noise bill, we oppose a "trade" of that bill with a reform bill, unless substantial changes are made.

Office of Telecommunications Policy (OTP) Reorganization. Cannon may relay Sen. Hollings' concern (as Chairman of the Communications Subcommittee) about the delay in implementing the transfer of most communications functions from OTP to the Commerce Department pursuant to the EOP Reorganization Plan. The delay has been due to negotiations with Rep. Brooks (Government Operations Committee Chairman), who wants to increase the scope of the functions going to OMB. Hollings wants to maximize Commerce's role.

The discussions with Brooks narrowed the area of disagreement but did not resolve the issue. A draft Executive Order consistent with your original decision to transfer most functions to Commerce will be circulated this week, and Cannon and Hollings will get copies and be invited to comment. The transfer will go into effect about March 1.

THE WHITE HOUSE

WASHINGTON

January 16, 1978

PHONE CALL TO HATTIESBURG, MISSISSIPPI

Monday, January 16, 1978

8:00 pm (10-15 minutes)

The Oval Office

From: Joe Aragon JA

I. PURPOSE

To place a phone call to a Town Hall meeting in Hattiesburg, Mississippi and answer a selected question regarding the Panama Canal Treaties.

II. BACKGROUND, PROCEDURE, PARTICIPANTS

- A. Background: The Foreign Policy Association and the World Affairs Council in conjunction with local community groups is sponsoring a series of six town hall meetings throughout the country to debate the Panama Canal Treaties.

Each event will include the participation of several hundred citizens. The series, which began on Saturday, Jan. 14 in Springfield, Massachusetts includes meetings in Hattiesburg, Mississippi; Little Rock, Arkansas; Tucson, Arizona; Riverside, California; and Albuquerque, New Mexico.

Although the procedure for each town hall meeting varies, each event will present an overview of the treaties and in some cases a debate will take place. In addition, votes will be taken in the states of Massachusetts, Mississippi, Arkansas and New Mexico on whether the treaties ought to be ratified. Despite the fact that these are local community events involving a few hundred people, in each case efforts have been made to attract media participation. TV, radio and print press have been contacted and anticipated media coverage is substantial.

The call you place will be the highlight of the meeting and your participation will help greatly to generate additional public and media interest. This will also be an excellent way for you to have some direct contact with the average citizen in key states where we need to build additional support for the treaties.

- B. Procedure: At the scheduled time, the call will be placed from the Town Hall meeting to the White House. The President of the University of Southern Mississippi, Dr. Aubrey Lucas will greet you and read to you the question he has selected from those submitted by the participants. He will read you the name of the question's author so that you will then have the opportunity to address the person by name and answer his question. After the question has been answered you will have a few minutes to make any additional points you wish concerning the ratification effort. There will be no follow up question unless you desire it.
- C. Participants: Dr. Kenneth McCarty, Professor of History, University of Southern Mississippi, will present an historical sketch of the Canal; Lt. General Welborne Dolvin, US Army Retired will debate the pro side of the treaties against Jeffrey St. John, commentator for Mutual Broadcasting; Dr. Aubrey Lucas, President of the University of Southern Mississippi will select the representative question and read it to you.

III. TALKING POINTS

1. I recommend that in your reply to the Panama question you take the opportunity to congratulate the University of Southern Mississippi and the National Foreign Policy Association on their commendable effort to inform the citizens of Mississippi about this vital national issue.
2. You might also acknowledge the presence of Lt. General Welborne Dolvin who will be making the case (as he has before) for the treaties.
3. Last, you might want to point out that this phone call is in keeping with your commitment to discuss foreign policy directly with the citizens of this country.

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1:00 PM
THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 16, 1978

MEETING WITH CHAIRMAN AL ULLMAN (D-ORE. 2)

Tuesday, January 17, 1978

1:00 P.M. (15 minutes)

The Oval Office

From: Frank Moore *J.M./BR*

I. PURPOSE

To discuss the legislative agenda and priorities for the coming year.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

Background: Chairman Ullman is generally aware of the specifics in the tax and economic package. He has indicated that he does not agree with the size of the tax cut and questions if we will be able to get passed all of the reforms we are asking.

Participants: The President, Chairman Al Ullman and Frank Moore.

Press Plan: White House photographer.

III. TALKING POINTS

1. Thank Chairman Ullman for his help with the passage of the Social Security Financing legislation and the deletion of the Roth Tuition Tax Credit proposal.
2. Discuss generally the economic package, stressing that it is a balanced package with general tax rate reductions being paid for in part (\$10 billion) by tax reforms. We are counting on his help and leadership for expeditious action on the package.
3. Ask his assistance in moving the Hospital Cost Containment bill through the Ways and Means Committee and reporting it early in the session.
4. Stress the need for a prompt resolution to the energy legislation impasse and its relation to the value of the dollar and the state of the economy in general.

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1:00 PM

THE WHITE HOUSE

WASHINGTON

January 16, 1978

MEETING WITH CHAIRMAN ULLMAN

Tuesday, January 17, 1978

1:00 p.m.

Oval Office

From: Stu Eizenstat *Stu*
Charles Schultze *CLS*

I. PURPOSE

To convince Chairman Ullman that the elements of your tax reform/tax reduction program are appropriate and to enlist his cooperation and support for expeditious passage of the program.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: Last week Chairman Ullman publicly stated that he thought the program should call for only \$15 billion in net tax cuts (in order to avoid "overheating" the economy and bringing on a new round of inflation) and that the effective date should be July 1 instead of October 1. He also expressed concern over a number of the reforms in the program. The basic elements of the reform program are set forth in Annex A.

B. Participants: Chairman Ullman and you. None of your advisers will attend.

C. Press Plan: None.

III. TALKING POINTS

TAX REFORM

Your strong personal commitment to tax reform:

-- Tax reform was one of your fundamental campaign commitments and you are determined to make a good beginning on reform.

- You and the Vice President intend to spend considerable personal time in educating the public and working together with Congress on this effort.
- A successful partnership on this effort will increase public confidence in both the Congress and the Executive.

The reform program will benefit the great majority of low and middle income taxpayers:

- The average family of four in the \$10,000-\$30,000 income classes will get a tax cut ranging from about \$275 to about \$340, an average tax cut of greater than 15%. Some 93% of the tax relief will go to those making under \$30,000.

The reforms are reasonable in number and focus on simplification and elimination of some of the most glaring tax loopholes:

- Following suggestions made over the past year by the Chairman and others, you have limited the number of reforms in the program to an amount which can be reasonably handled by Congress during this session. Many of the reform items have been previously considered by the Committee and some have even passed the House (e.g., elimination of deduction for gasoline taxes, taxable bond option, and elimination of special alternative tax on capital gains).
- One focus of the reforms is on simplification for the average taxpayer through eliminating a number of the itemized deductions and returning the revenues in the form of rate cuts.
- The other focus is on a number of basic abuses and inappropriate subsidies such as tax shelters, expense account living, DISC, and deferral.

Specific items over which the Chairman has expressed some concern:

DISC.

- Highly inefficient export subsidy, wasting over \$1 billion a year in federal tax revenues and resulting in very little additional exports to show for it. Many experts think DISC has contributed virtually nothing to our balance of payments.

- Most benefits go to the large multinational corporations.
- May actually hurt import sensitive industries, such as steel and textiles, by artificially pushing up the exchange rate and making foreign imports cheaper.

Deferral of tax on foreign profits.

- A preference for foreign investments when we need domestic investment.
- Deferral is a principle not applied in financial reporting or in consolidated domestic tax returns.
- Many of the complaints being made by the multinationals about our deferral proposal were also made about the tax haven legislation passed in the 1960's. The legislation ended a number of tax abuses and had no negative impact on the U.S. economy.
- Thirty large multinationals get 50% of the benefits.

Business meals.

- No justification for the average taxpayer subsidizing high-priced dining by relatively small number of business executives.
- Claims about loss of employment in the restaurant industry are much exaggerated -- main result would probably be some shifting from expensive to moderately priced restaurants.

Strengthening the minimum tax and eliminating the special alternative tax for capital gains.

- These items affect preference income for top-bracket taxpayers. Over 90% of the revenue raised will come from taxpayers in the \$100,000 and over brackets.

TAX REDUCTIONS

- You are proposing a net tax reduction of \$25 billion
 - \$16½ billion in personal income tax reductions,
 - \$6½ billion in business tax reductions and \$2 billion in excise and payroll tax cuts.

- The personal tax reductions and most business tax cuts will take effect on October 1. Changes in the investment tax credit will be retroactive to January 1, 1978.
- You have not recommended a tax reduction earlier than October 1, because there is no strong reason to ask the Congress for a third budget resolution for Fiscal 1978.
- Growth in output and employment has been good in 1977 and will probably be good in early part of 1978.
- Unless tax reductions are enacted, however, the growth of the economy will slow late in 1978 or in 1979. The decline in the unemployment rate will cease, and unemployment would begin to rise, for several reasons:
 1. Real income growth and inflation push taxpayers into higher tax brackets, resulting in "fiscal drag." Payroll taxes (Social Security and Unemployment Insurance) will rise sharply in 1979 and later years. Between 1977 and 1979, these two factors will be equivalent to a tax increase of about \$32 billion.
 2. In real terms, the increase in Federal budget expenditures in fiscal 1979 is very small -- less than 2 percent.
 3. Prospective growth in the private sector is not strong enough to overcome increased fiscal restraint stemming from the combined effect of small increases in Federal expenditures and large increases in taxes.
 4. Growth in private investment continues to lag behind what we need for the long-term health of the economy.
- With the tax reductions, we expect the economy to grow by 4½ to 5 percent in 1978 and again in 1979. The unemployment rate should fall to 5½ to 6 percent by the end of next year.

- If the energy bill does not include a full rebate to consumers of the net proceeds of the wellhead tax, then you will submit an amendment to your proposed tax reductions for individuals to offset this additional source of economic drag.
- We should not be misled as to the need for these tax reductions by a strong economic performance early in the year. We expect the tempo of activity to pick up but the principal reason will be rising inventory investment. Its effects will be temporary.
- This is not a program to shore up a foundering economy. It is a program to prevent fiscal restraint from slowing economic growth over the longer term.

If Ullman argues strongly that the economy needs a much smaller tax cut than you are proposing, you might offer to send Mike and Charlie up privately to brief him on the economic outlook and the strength of the forces acting to slow the economy later on this year.

EMPLOYMENT PROGRAMS

If your discussions touch on the jobs programs proposed by the Administration's economic program, the following points may be useful:

- You recognize that fiscal and monetary policies alone will not reduce unemployment to satisfactory levels among disadvantaged and unskilled workers. Reliance on these tools alone to reduce unemployment would risk more inflation.
- Therefore, you are proposing a number of programs to deal with structural unemployment:
 1. Public Service Employment Programs will be extended through 1979 at the 725,000 job level, and phased down gradually thereafter as unemployment declines.
 2. Your welfare reform program will provide up to 1.4 million jobs, when it is fully implemented, to those needy who are able to work. A demonstration project that will create 50,000 jobs is included in your 1979 budget.

3. You also will propose \$400 million to finance a new initiative to create jobs in the private sector, with a special focus on disadvantaged youths. Details will be provided to the Congress shortly.
4. As a substitute for the current Employment Tax Credit proposed last session by Ullman, which provides tax credits totaling an estimated \$2.5 billion per year for firms with expanding payrolls, we are seriously considering a tax credit targetted on low-income workers who have completed CETA training programs.

We have discussed the concept with Senator Nelson (a member of the Senate Finance Committee, and Chairman of both the Small Business Committee and the Employment Subcommittee). He was favorably disposed.

We have also discussed the concept at length with Chairman Ullman's staff who were also interested. The targetted tax credit has probably not been discussed (by his staff) with Ullman himself, except in passing.

Treasury is opposed on principle to any employment tax credit, although they agree that a targetted credit would be preferable to the one now in law.

The current Employment Tax Credit expires this year. It is very popular with small business because a \$100,000 cap on credits to any firm gives smaller business an advantage.

The Targetted Tax Credit we are considering would be credited against tax liability and refundable to the firm against social security and unemployment compensation taxes. It would impose little new administrative burden on Treasury. Certification of individuals as employees for whom a tax credit would be legal would be the responsibility of the CETA system.

It is estimated that the cost would be in the \$500 million range.

We recommend that you not raise the matter with Chairman Ullman at this time, but we provide these paragraphs as background in case Ullman should raise the issue.

THE ANTI-INFLATION PROGRAM

- We see no signs that inflation is heating up again, or is likely to do so over the next two years.
- But neither is there much hope that it will decline from the current 6-6½ percent.
- However, without some special effort, we risk a worsening of inflation as we approach high employment.
- The government will continue to do its part:
 - Your decisions on this year's budget and tax reductions will not overcommit us in the future.
- You also will push ahead on regulatory reform efforts.
- You are launching a new program requesting that business and labor cooperate voluntarily to decelerate wage and price increases.
- This program starts from the initial premise that in each major industry wage and price increases during 1978 should be lower than they were in the past two years. However, it will recognize the need for exceptions.
- You will ask business and labor to agree to requests from your economic advisers to meet to discuss how this deceleration standard relates to their individual circumstances, and what can be done to meet the goal of a reduced rate of wage and price increases.

BASIC ELEMENTS OF TAX PROGRAM

1. \$25 billion in net tax cuts:
 - \$17 billion in individual income tax cuts
 - \$6 billion in corporate income tax cuts
 - \$2 billion for elimination of telephone excise tax and reduction of unemployment insurance tax
2. Repeal deductions for gasoline, sales, and miscellaneous taxes.
3. Combine deductions for medical and casualty expenses and allow only to the extent they exceed 10% of adjusted gross income.
4. Sharply curtail remaining individual tax shelters through reform of real estate depreciation and other measures.
5. Eliminate DISC over 3 years.
6. Eliminate deferral of tax on foreign profits over 3 years.
7. Reduce bad debt reserves of banks and tax credit unions.
8. Reduce deductions for "expense account" living.
9. Tax a portion of unemployment benefits above certain income levels.
10. Strengthen minimum tax by eliminating deduction for regular taxes paid.
11. Repeal special alternative tax on capital gains.

THE WHITE HOUSE

WASHINGTON

January 16, 1978

MEETING WITH CHAIRMAN AL ULLMAN (D-ORE. 2)

Tuesday, January 17, 1978

1:00 P.M. (15 minutes)

The Oval Office

From: Frank Moore

I. PURPOSE

To discuss the legislative agenda and priorities for the coming year.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

Background: Chairman Ullman is generally aware of the specifics in the tax and economic package. He has indicated that he does not agree with the size of the tax cut and questions if we will be able to get passed all of the reforms we are asking.

Participants: The President, Chairman Al Ullman and Frank Moore.

Press Plan: White House photographer.

III. TALKING POINTS

1. Thank Chairman Ullman for his help with the passage of the Social Security Financing legislation and the deletion of the Roth Tuition Tax Credit proposal.
2. Discuss generally the economic package, stressing that it is a balanced package with general tax rate reductions being paid for in part (\$10 billion) by tax reforms. We are counting on his help and leadership for expeditious action on the package.
3. Ask his assistance in moving the Hospital Cost Containment bill through the Ways and Means Committee and reporting it early in the session.
4. Stress the need for a prompt resolution to the energy legislation impasse and its relation to the value of the dollar and the state of the economy in general.

THE WHITE HOUSE

WASHINGTON

January 16, 1978

MEETING WITH CHAIRMAN ULLMAN

Tuesday, January 17, 1978

1:00 p.m.

Oval Office

From: Stu Eizenstat *Stu*
Charles Schultze *CLS*

I. PURPOSE

To convince Chairman Ullman that the elements of your tax reform/tax reduction program are appropriate and to enlist his cooperation and support for expeditious passage of the program.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: Last week Chairman Ullman publicly stated that he thought the program should call for only \$15 billion in net tax cuts (in order to avoid "overheating" the economy and bringing on a new round of inflation) and that the effective date should be July 1 instead of October 1. He also expressed concern over a number of the reforms in the program. The basic elements of the reform program are set forth in Annex A.

B. Participants: Chairman Ullman and you. None of your advisers will attend.

C. Press Plan: None.

III. TALKING POINTS

TAX REFORM

Your strong personal commitment to tax reform:

-- Tax reform was one of your fundamental campaign commitments and you are determined to make a good beginning on reform.

- You and the Vice President intend to spend considerable personal time in educating the public and working together with Congress on this effort.
- A successful partnership on this effort will increase public confidence in both the Congress and the Executive.

The reform program will benefit the great majority of low and middle income taxpayers:

- The average family of four in the \$10,000-\$30,000 income classes will get a tax cut ranging from about \$275 to about \$340, an average tax cut of greater than 15%. Some 93% of the tax relief will go to those making under \$30,000.

The reforms are reasonable in number and focus on simplification and elimination of some of the most glaring tax loopholes:

- Following suggestions made over the past year by the Chairman and others, you have limited the number of reforms in the program to an amount which can be reasonably handled by Congress during this session. Many of the reform items have been previously considered by the Committee and some have even passed the House (e.g., elimination of deduction for gasoline taxes, taxable bond option, and elimination of special alternative tax on capital gains).
- One focus of the reforms is on simplification for the average taxpayer through eliminating a number of the itemized deductions and returning the revenues in the form of rate cuts.
- The other focus is on a number of basic abuses and inappropriate subsidies such as tax shelters, expense account living, DISC, and deferral.

Specific items over which the Chairman has expressed some concern:

DISC.

- Highly inefficient export subsidy, wasting over \$1 billion a year in federal tax revenues and resulting in very little additional exports to show for it. Many experts think DISC has contributed virtually nothing to our balance of payments.

- Most benefits go to the large multinational corporations.
- May actually hurt import sensitive industries, such as steel and textiles, by artificially pushing up the exchange rate and making foreign imports cheaper.

Deferral of tax on foreign profits.

- A preference for foreign investments when we need domestic investment.
- Deferral is a principle not applied in financial reporting or in consolidated domestic tax returns.
- Many of the complaints being made by the multinationals about our deferral proposal were also made about the tax haven legislation passed in the 1960's. The legislation ended a number of tax abuses and had no negative impact on the U.S. economy.
- Thirty large multinationals get 50% of the benefits.

Business meals.

- No justification for the average taxpayer subsidizing high-priced dining by relatively small number of business executives.
- Claims about loss of employment in the restaurant industry are much exaggerated -- main result would probably be some shifting from expensive to moderately priced restaurants.

Strengthening the minimum tax and eliminating the special alternative tax for capital gains.

- These items affect preference income for top-bracket taxpayers. Over 90% of the revenue raised will come from taxpayers in the \$100,000 and over brackets.

TAX REDUCTIONS

- You are proposing a net tax reduction of \$25 billion
 - \$16½ billion in personal income tax reductions,
 - \$6½ billion in business tax reductions and \$2 billion in excise and payroll tax cuts.

- The personal tax reductions and most business tax cuts will take effect on October 1. Changes in the investment tax credit will be retroactive to January 1, 1978.
- You have not recommended a tax reduction earlier than October 1, because there is no strong reason to ask the Congress for a third budget resolution for Fiscal 1978.
- Growth in output and employment has been good in 1977 and will probably be good in early part of 1978.
- Unless tax reductions are enacted, however, the growth of the economy will slow late in 1978 or in 1979. The decline in the unemployment rate will cease, and unemployment would begin to rise, for several reasons:
 1. Real income growth and inflation push taxpayers into higher tax brackets, resulting in "fiscal drag." Payroll taxes (Social Security and Unemployment Insurance) will rise sharply in 1979 and later years. Between 1977 and 1979, these two factors will be equivalent to a tax increase of about \$32 billion.
 2. In real terms, the increase in Federal budget expenditures in fiscal 1979 is very small -- less than 2 percent.
 3. Prospective growth in the private sector is not strong enough to overcome increased fiscal restraint stemming from the combined effect of small increases in Federal expenditures and large increases in taxes.
 4. Growth in private investment continues to lag behind what we need for the long-term health of the economy.
- With the tax reductions, we expect the economy to grow by $4\frac{1}{2}$ to 5 percent in 1978 and again in 1979. The unemployment rate should fall to $5\frac{1}{2}$ to 6 percent by the end of next year.

- If the energy bill does not include a full rebate to consumers of the net proceeds of the wellhead tax, then you will submit an amendment to your proposed tax reductions for individuals to offset this additional source of economic drag.
- We should not be misled as to the need for these tax reductions by a strong economic performance early in the year. We expect the tempo of activity to pick up but the principal reason will be rising inventory investment. Its effects will be temporary.
- This is not a program to shore up a foundering economy. It is a program to prevent fiscal restraint from slowing economic growth over the longer term.

If Ullman argues strongly that the economy needs a much smaller tax cut than you are proposing, you might offer to send Mike and Charlie up privately to brief him on the economic outlook and the strength of the forces acting to slow the economy later on this year.

EMPLOYMENT PROGRAMS

If your discussions touch on the jobs programs proposed by the Administration's economic program, the following points may be useful:

- You recognize that fiscal and monetary policies alone will not reduce unemployment to satisfactory levels among disadvantaged and unskilled workers. Reliance on these tools alone to reduce unemployment would risk more inflation.
- Therefore, you are proposing a number of programs to deal with structural unemployment:
 1. Public Service Employment Programs will be extended through 1979 at the 725,000 job level, and phased down gradually thereafter as unemployment declines.
 2. Your welfare reform program will provide up to 1.4 million jobs, when it is fully implemented, to those needy who are able to work. A demonstration project that will create 50,000 jobs is included in your 1979 budget.

3. You also will propose \$400 million to finance a new initiative to create jobs in the private sector, with a special focus on disadvantaged youths. Details will be provided to the Congress shortly.
4. As a substitute for the current Employment Tax Credit proposed last session by Ullman, which provides tax credits totaling an estimated \$2.5 billion per year for firms with expanding payrolls, we are seriously considering a tax credit targetted on low-income workers who have completed CETA training programs.

We have discussed the concept with Senator Nelson (a member of the Senate Finance Committee, and Chairman of both the Small Business Committee and the Employment Subcommittee). He was favorably disposed.

We have also discussed the concept at length with Chairman Ullman's staff who were also interested. The targetted tax credit has probably not been discussed (by his staff) with Ullman himself, except in passing.

Treasury is opposed on principle to any employment tax credit, although they agree that a targetted credit would be preferable to the one now in law.

The current Employment Tax Credit expires this year. It is very popular with small business because a \$100,000 cap on credits to any firm gives smaller business an advantage.

The Targetted Tax Credit we are considering would be credited against tax liability and refundable to the firm against social security and unemployment compensation taxes. It would impose little new administrative burden on Treasury. Certification of individuals as employees for whom a tax credit would be legal would be the responsibility of the CETA system.

It is estimated that the cost would be in the \$500 million range.

We recommend that you not raise the matter with Chairman Ullman at this time, but we provide these paragraphs as background in case Ullman should raise the issue.

THE ANTI-INFLATION PROGRAM

- We see no signs that inflation is heating up again, or is likely to do so over the next two years.
- But neither is there much hope that it will decline from the current 6-6½ percent.
- However, without some special effort, we risk a worsening of inflation as we approach high employment.
- The government will continue to do its part:
 - Your decisions on this year's budget and tax reductions will not overcommit us in the future.
- You also will push ahead on regulatory reform efforts.
- You are launching a new program requesting that business and labor cooperate voluntarily to decelerate wage and price increases.
- This program starts from the initial premise that in each major industry wage and price increases during 1978 should be lower than they were in the past two years. However, it will recognize the need for exceptions.
- You will ask business and labor to agree to requests from your economic advisers to meet to discuss how this deceleration standard relates to their individual circumstances, and what can be done to meet the goal of a reduced rate of wage and price increases.

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9. Tax a portion of unemployment benefits above certain income levels.
10. Strengthen minimum tax by eliminating deduction for regular taxes paid.
11. Repeal special alternative tax on capital gains.

78021.2

THE WHITE HOUSE
WASHINGTON

January 17, 1978

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: STATE OF UNION WRITTEN MESSAGE
PUBLIC WORKS FUNDING

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 17, 1978

Mr. President:

I have checked with OMB to verify the figure I gave to you on public works. As I indicated, there will be \$2 billion in outlays in the FY '79 budget from the \$4 billion originally appropriated in the Public Works Act passed last year.

It is possible, though, to look at "public works" from a perspective other than just that of the public works bill passed as part of the economic stimulus package last year. In other words, "public works" could include, as OMB thinks it should, all Federal construction projects to be funded in FY '79. That figure would be \$30.1 billion: \$2.3 billion for defense projects; \$6.5 billion for civil projects (such as forest service or Corps of Engineer projects); and \$21.3 billion for grants to State and local governments (for example, highway construction funds).

When the Administration has talked about "public works" in the past, we have primarily referred only to the public works bill passed last year and not to all the other public works projects being funded. Therefore, it might be misleading to say that we are funding \$30.1 billion in public works projects next year, unless there is a further explanation of the breadth of that definition of public works. In FY '78, this larger definition of public works was funded at \$29 billion and in FY '77 at \$23.8 billion.

David Rubenstein

using maximum definition:
FY '77 - \$24 B./
178 29 B./
179 30 B./

Electrostatic Copy Made
for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

January 17, 1978

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: STATE OF UNION WRITTEN MESSAGE
PUBLIC WORKS FUNDING

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

January 16, 1978

*Stu -
Intelligence
Gave to Jim
D*

MEMORANDUM FOR THE PRESIDENT

FROM: Zbigniew Brzezinski *28*
Stu Eizenstat *Stu*

SUBJECT: State of the Union Written Message

Attached is a rough draft of the written part of the State of the Union, including both the domestic and foreign policy sections.

Normally we would not be submitting this to you at this stage, but since Rick Hutcheson indicated that you wished to have reading material with you, it would certainly be useful to get your substantive comments at this stage.

We might make a few points about the message attached:

1. It is now being circulated to Charlie Schultze and OMB for their review and comment.
2. We will go back to the relevant agencies before the draft is finalized to make certain they approve the final language. The rough draft does contain essentially the language already approved by the agencies.
3. The message is being presented to you on double-spaced, letter-size paper and the length will be cut down by a third when it is put on the standard message-size paper. You will also notice that we did not put the domestic section in this rough draft on continuous pages, which, of course, will be done for the final version.

As soon as we receive comments from CEA, OMB and the agencies, as well as yours, the message will be given to Jim Fallows who will also, no doubt, be able to reduce the size of the document. Even with final editing, the message will still be relatively long and certainly longer than the messages covering only a single subject which we have previously sent to Congress. That is because its purpose is to both inform Congress of all the major actions you intend to take this year and to indicate to various interest groups and organizations that you are going to move in areas with which they are concerned. This detailed statement is particularly necessary in light of the fact that you will be giving a highly focussed State of the Union address, which will be roughly half as long as the normal "washed list" State of the Union addresses usually delivered orally to Congress. Moreover, we have reviewed similar written messages from previous Presidents and theirs are generally of the same length -- again being an effort to set out comprehensively the year's agenda.

10:00 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 16, 1978

MEETING WITH THE 94TH AND 95TH HOUSE DEMOCRATIC CAUCUSES

Tuesday, January 17, 1978

10:00 a.m. (60 minutes)

The State Dining Room

From: Frank Moore *F.M./er*

I. PURPOSE

To brief the members of the freshman and sophomore classes on our upcoming legislative program.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: This meeting will begin a two-day seminar for both the 94th and 95th Caucuses. The agenda includes sessions with the House leadership, presentations on the mood of the country (with Pat Caddell and Peter Hart) and discussions on district activity, as well as an entire day devoted to economic issues (including a presentation by Robert Strauss). The caucuses are interested in the key issues for the coming year and particularly how the Caucus members can work with you to achieve common goals.

Participants: The President, Members of Congress on the attached list, Frank Moore, Hamilton Jordan, Jody Powell, Bob Lipshutz, Stu Eizenstat, Zbig Brzezinski, Scotty Campbell, Jim McIntyre, Bill Smith, Bill Cable.

Press Plan: One minute of national press coverage at the beginning of the meeting.

III. TALKING POINTS

1. The Caucuses will have just listened to brief remarks from Stu Eizenstat, Zbig Brzezinski, Jim McIntyre, and Scotty Campbell who will try to enlist their support for Civil Service Reform.

One of the most important early issues facing the House, and the cornerstone of your campaign pledge to make government more responsive to the people, is civil service reform. This will be both a reorganization plan (to Jack Brook's Committee) and implementing legislation (to Nix's Post Office & Civil Service Committee). The 94th and 95th Caucuses' support will be necessary to pass the legislative portion. You should stress the importance of Civil Service reform in terms of its necessity to give all the future

reorganization proposals the basic tools to be effective. Without this portion, much of the later reorganizations could be characterized as simply moving boxes on an organization chart.

The proposal resulted from a study conducted by Civil Servants and seeks to return government employment to an effective, non-political system that rewards excellence, provides equal employment opportunity and does not tolerate poor performance at the expense of the American people.

There are two unresolved issues: the labor/management relations segment which we are working out with organized labor and the veterans' preference issue which we are also discussing.

2. This group has had no concise briefing on the '78 agenda. You should:
 - a) stress the need for a prompt energy solution and the impact, internationally, on the value of the dollar;
 - b) discuss the economic package in general terms, touching on the themes of tax cuts, tax reform, job creation-both public and private, and our anti-inflation policy;
 - c) indicate your foreign affairs focus that has particular impact on the Senate, but the Middle East questions, some Panama issues, and SALT talks do have House impact.
 - d) indicate that there are many high priority items that can be discussed in detail later.
3. Regarding postal reform, the Rules Committee is scheduled to take up the Wilson/Hanley bill, H.R. 7700. There is unanimous agreement among OMB, DPS, DL and the Postal Service that the bill is bad and should not be signed if presented in its present form. There is mixed sentiment in the House, but agreement, that when it gets to the floor it will pass in an unacceptable form. Further complicating matters are the spring labor negotiations.

--The labor agreement expires on July 20, 1978.

--Two of the union presidents are up for re-election in August and face substantial opposition in their re-election bids.

--H.R. 7700 provides among other things an increase in the unearmarked postal subsidy from \$900,000,000 to \$2.7 BILLION.

--With that dollar increase as a possibility/probability, there is no way that postal management can negotiate a long term contract that reflects your deceleration goals that make up a major portion of the anti-inflation segment of the economic package.

It is important to begin the education process now so that if Tip is responsive to your request for help you will ask the Caucus members for help.

In all, the proposed bill-H.R. 7700-injects an unacceptable level of politics into day to day management of the postal system at an unreasonably high cost to the taxpayer for no predictable improvement in service.

4. Probably the first major controversial issue facing the House will be agreeing to the Senate amendment to the Supplemental Appropriations bill--the B-1 rescission. Almost all of the Caucus Members have supported the decision to stop the B-1. With the help of the Speaker, Chairman Mahon, the leadership and the 94th and 95th Caucuses, we can put this controversy behind us once and for all.
5. Concerning the Office of Consumer Representation, we have discussed bringing the legislation up next session with Speaker O'Neill and Majority Leader Byrd. O'Neill has agreed to bring it up early in the session; Byrd will bring it up as soon as the it has passed the House. You might want to restate your commitment to the bill and urge prompt passage.
6. A majority of the Democrats who are on Seiberling's subcommittee (General Oversight and Alaska Lands of Interior and Insular Affairs) will be present. The subcommittee will begin mark-up on the D-2 lands bill Tuesday, January 17 at 1:15 p.m. We have asked Congress to designate 92 million acres of spectacular untouched federal lands in Alaska as national parks, forests, wildlife refuges, and wild and scenic rivers. Never again in our history will we have a similar opportunity. You might want to restate what you have said earlier, "no conservation action the 95th Congress could take would have more lasting value than this."
7. As the meeting is about to end, I would like to discuss our campaign '78 plans which Hamilton outlined at the Cabinet meeting on Monday. It is important to raise the issue with this group now. The group should be told that we are working on a campaign strategy and that I am coordinating our efforts. At this point our plans include your participation (even though it will be focused on the Senate, it will include a House component); that of the First Family; the Vice President; the Cabinet; senior White House staff; and a broad spectrum of top level administration officials.

We hope in the next few weeks to be able to outline for the Congress more specifics of our efforts to help make 1978 a successful Democratic Year.

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CO RATING (%)</u>
<u>MEMBERS OF THE 94th CAUCUS</u>			
AMBRO, Jerry (D-N.Y.-3)	52.0	#14 Public Works & Transportation #13 Science & Technology	76.0
BALDUS, Alvin (D-WI-3)	58.1	#14 Agriculture #15 Small Business (Chairman, Subcommittee on Energy, Environment, Safety and Research)	66.0
BAUCUS, Max (D-MT-1)	66.4	#33 Appropriations	66.0
BEDELL, Berkley (D-IA-6)	67.4	#18 Agriculture #12 Small Business	65.0
BLANCHARD, Jim (D-MI-18)	66.1	#13 Banking, Finance & Urban Affairs #16 Science & Technology	76.0
BLOUIN, Michael (D-IA-2)	50.3	#12 Education & Labor #27 Government Operations	73.0
BONKER, Don (D-WA-3)	70.8	#17 International Relations #19 Merchant Marine & Fisheries	63.0
BRODHEAD, Bill (D-MI-17)	64.3	#21 Ways & Means	78.0
CARR, Bob (D-MI-6)	52.7	#21 Armed Services #17 Interior & Insular Affairs	73.0
CORNELL, Bob (D-WI-8)	50.9	#13 Education & Labor #11 Veterans' Affairs	76.0
D'AMOURS, Norman (D-NH-1)	68.1	#23 Banking, Finance & Urban Affairs #11 District of Columbia #21 Merchant Marine & Fisheries	71.0
DERRICK, Butler (D-SC-3)	99.9	#19 Banking, Finance & Urban Affairs # 9 Budget (Chairman, Budget Process Task Force)	57.0
DOWNEY, Thomas (D-NY-2)	57.1	#24 Armed Services #19 Science & Technology	78.0

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CQ RATING</u>
DUNCAN, Robert (D-OR-3)	83.9	#31 Appropriations	58.0
EDGAR, Bob (D-PA-7)	54.1	#16 Public Works & Transportation #15 Veterans' Affairs	75.0
EVANS, Dave (D-IN-6)	54.9	#21 Banking, Finance & Urban Affairs #19 Government Operations	52.0
FARY, John (D-IL-5)	76.9	#18 Public Works & Transportation	75.0
FISHER, Joe (D-VA-10)	54.7	#16 Budget #18 Ways & Means	76.0
FITHIAN, Floyd (D-IN-2)	54.7	#21 Agriculture #26 Government Operations	62.0
FLORIO, James (D-NJ-1)	70.1	#20 Interior & Insular Affairs #19 Interstate & Foreign Commerce	57.0
HARRIS, Herb (D-VA-8)	51.6	# 6 District of Columbia (Chairman, Economic Development & Regional Affairs) #19 Judiciary #11 Post Office & Civil Service	78.0
HEFNER, Bill (D-NC-8)	65.7	#20 Public Works & Transportation #12 Veterans' Affairs	62.0
HUGHES, Bill (D-NJ-2)	61.7	#15 Judiciary #25 Merchant Marine & Fisheries	63.0
KREBS, John (D-CA-17)	65.7	#15 Agriculture #24 Interior & Insular Affairs	70.0
LEVITAS, Elliott (D-GA-4)	68.3	#18 Government Operations #12 Public Works & Transportation	65.0
LLOYD, Jim (D-CA-35)	53.3	#22 Armed Services #12 Science & Technology	65.0
LUNDINE, Stan (D-NY-39)	61.8	#24 Banking, Finance & Urban Affairs	68.0

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CO. RATING</u>
McHUGH, Matt (D-NY-27)	66.6	#19 Agriculture #23 Interior & Insular Affairs	72.0
MINETA, Norm (D-Ca-13)	66.8	#15 Budget #11 Public Works & Transportation (Chairman, Subcommittee on Public Buildings & Grounds)	77.0
NEAL, Steve (D-NC-5)	54.2	#11 Banking, Finance & Urban Affairs (Chairman, Subcommittee on Trade, Investment & Monetary Policy) #18 Science & Technology	66.0
NOWAK, Henry (D-NY-37)	78.2	#15 Public Works & Transportation #19 Small Business	71.0
OBERSTAR, Jim (D-MN-8)	100.0	#24 Merchant Marine & Fisheries #13 Public Works & Transportation	73.0
OTTINGER, Dick (D-NY-24)	54.5	#14 Interstate & Foreign Commerce #10 Science & Technology	77.0
PATTISON, Ned (D-NY-29)	47.0	#26 Banking, Finance & Urban Affairs #15 House Administration	78.0
SANTINI, Jim (D-NV-AL)	77.1	#14 Interior & Insular Affairs #21 Interstate & Foreign Commerce #20 Judiciary	46.0
RICHMOND, Fred (D-NY-14)	85.0	#11 Agriculture (Chairman, Subcommittee on Domestic Marketing, Consumer Relations, & Nutrition) #13 Small Business	73.0
SHARP, Phil (D-IN-10)	59.8	#22 Interior & Insular Affairs #18 Interstate & Foreign Commerce	73.0
SIMON, Paul (D-IL-24)	67.4	#14 Budget (Chairman, Tax Expenditures, Government Organization & Regulation Task Force) #14 Education & Labor	75.0
SOLARZ, Steve (D-NY-13)	83.7	#15 International Relations #12 Post Office & Civil Service	81.0

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CQ RATING</u>
SPELIMAN, Gladys (D-MD-5)	57.7	#16 Banking, Finance & Urban Affairs #10 Post Office & Civil Service (Chairman, Subcommittee on Compensation & Employee Benefits	78.0
TRAXLER, Bob (D-MI-8)	59.0	#30 Appropriations	56.0
TSONGAS, Paul (D-MA-5)	67.3	#18 Banking, Finance & Urban Affairs #15 Interior & Insular Affairs	80.0
WAXMAN, Henry (D-CA-24)	67.8	#23 Government Operations #15 Interstate & Foreign Commerce	72.0
WIRTH, Tim (D-CO-2)	50.5	#17 Interstate & Foreign Commerce #17 Science & Technology	70.0
RISENHOOVER, Ted (D-OK-5)	54.0	#12 District of Columbia #19 Interior & Insular Affairs #19 Public Works & Transportation	41.0

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CQ RATING (%)</u>
<u>MEMBERS OF THE 95th CAUCUS</u>			
AMMERMAN, Joseph (D-23-PA)	56.5	#26 Agriculture #17 House Administration	77
APPLEGATE, Douglas (D-18-OH)	62.9	#13 District of Columbia #29 Public Works & Transportation #18 Veterans' Affairs	67
BARNARD, Doug (D-10-GA)	99.9	#31 Banking, Finance & Urban Affairs #19 Veterans' Affairs	51
BEILENSON, Anthony (D-23-CA)	60.2	#21 International Relations #23 Judiciary #24 Science & Technology	66
CORNWELL, David (D-8-IN)	50.5	#21 Public Works & Transportation	68
CORRADA, Baltasar (President Commissioner-- Puerto Rico)		#24 Education & Labor #27 Interior & Insular Affairs	
DICKS, Norman (D-6-WA)	73.5	#37 Appropriations	61
ERTEL, Allen (D-17-PA)	50.7	#21 Judiciary #24 Public Works & Transportation	70
EVANS, Billy Lee (D-8-GA)	69.7	#22 Judiciary #25 Public Works & Transportation	57
FLIPPO, Ronnie (D-5-AL)	100	#26 Public Works & Transportation #21 Science & Technology	42
GEPHARDT, Richard (D-3-MO)	63.7	#23 Ways & Means	72
GORE, Albert (D-4-TN)	94.0	#28 Interstate & Foreign Commerce #25 Science & Technology	77
HUCKABY, Jerry (D-5-LA)	52.5	#27 Agriculture #31 Interior & Insular Affairs	47

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CQ RATING (%)</u>
IRELAND, Andy (D-8-FL)	58.0	#19 International Relations #22 Small Business	62
KOSTMAYER, Peter (D-8-PA)	49.5	#28 Government Operations #26 Interior & Insular Affairs	77
LUKEN, Thomas (D-2-OH)	51.4	#25 Interstate & Foreign Commerce #20 Small Business	61
MIKULSKI, Barbara (D-3-MD)	74.6	#29 Interstate & Foreign Commerce #26 Merchant Marine & Fisheries	76
RAHALL, Nick Joe (D-4-WV)	45.6	#29 Interior & Insular Affairs #27 Public Works & Transportation	67
SKELTON, Ike (D-4-MO)	55.9	#25 Agriculture #24 Small Business	62
STUMP, Bob (D-3-AZ)	47.5	#28 Public Works & Transportation	29
VENTO, Bruce (D-4-MN)	66.4	#30 Banking, Finance & Urban Affairs #30 Interior & Insular Affairs	81
VOLKMER, Harold (D-9-MO)	55.9	#30 Agriculture #18 Judiciary	66
WEISS, Ted (D-20-N.Y.)	83.2	#22 Education & Labor #29 Government Operations	75
YOUNG, Robert (D-2-MO)	51.1	#22 Public Works & Transportation	68
PANETTA, Leon (D-16-CA)	53.4	#24 Agriculture #16 House Administration	68
MATTOX, Jim (D-5-TX)	54.0	#29 Banking, Finance & Urban Affairs #17 Budget	66

THE WHITE HOUSE

WASHINGTON

January 16, 1978

MEETING WITH THE 94TH AND 95TH HOUSE DEMOCRATIC CAUCUSES

Tuesday, January 17, 1978

10:00 a.m. (60 minutes)

The State Dining Room

From: Frank Moore

I. PURPOSE

To brief the members of the freshman and sophomore classes on our upcoming legislative program.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: This meeting will begin a two-day seminar for both the 94th and 95th Caucuses. The agenda includes sessions with the House leadership, presentations on the mood of the country (with Pat Caddell and Peter Hart) and discussions on district activity, as well as an entire day devoted to economic issues (including a presentation by Robert Strauss). The caucuses are interested in the key issues for the coming year and particularly how the Caucus members can work with you to achieve common goals.

Participants: The President, Members of Congress on the attached list, Frank Moore, Hamilton Jordan, Jody Powell, Bob Lipshutz, Stu Eizenstat, Zbig Brzezinski, Scotty Campbell, Jim McIntyre, Bill Smith, Bill Cable.

Press Plan: One minute of national press coverage at the beginning of the meeting.

III. TALKING POINTS

1. The Caucuses will have just listened to brief remarks from Stu Eizenstat, Zbig Brzezinski, Jim McIntyre, and Scotty Campbell who will try to enlist their support for Civil Service Reform.

One of the most important early issues facing the House, and the cornerstone of your campaign pledge to make government more responsive to the people, is civil service reform. This will be both a reorganization plan (to Jack Brook's Committee) and implementing legislation (to Nix's Post Office & Civil Service Committee). The 94th and 95th Caucuses' support will be necessary to pass the legislative portion. You should stress the importance of Civil Service reform in terms of its necessity to give all the future

reorganization proposals the basic tools to be effective. Without this portion, much of the later reorganizations could be characterized as simply moving boxes on an organization chart.

The proposal resulted from a study conducted by Civil Servants and seeks to return government employment to an effective, non-political system that rewards excellence, provides equal employment opportunity and does not tolerate poor performance at the expense of the American people.

There are two unresolved issues: the labor/management relations segment which we are working out with organized labor and the veterans' preference issue which we are also discussing.

2. This group has had no concise briefing on the '78 agenda. You should:
 - a) stress the need for a prompt energy solution and the impact, internationally, on the value of the dollar;
 - b) discuss the economic package in general terms, touching on the themes of tax cuts, tax reform, job creation-both public and private, and our anti-inflation policy;
 - c) indicate your foreign affairs focus that has particular impact on the Senate, but the Middle East questions, some Panama issues, and SALT talks do have House impact.
 - d) indicate that there are many high priority items that can be discussed in detail later.
3. Regarding postal reform, the Rules Committee is scheduled to take up the Wilson/Hanley bill, H.R. 7700. There is unanimous agreement among OMB, DPS, DL and the Postal Service that the bill is bad and should not be signed if presented in its present form. There is mixed sentiment in the House, but agreement, that when it gets to the floor it will pass in an unacceptable form. Further complicating matters are the spring labor negotiations.

--The labor agreement expires on July 20, 1978.

--Two of the union presidents are up for re-election in August and face substantial opposition in their re-election bids.

--H.R. 7700 provides among other things an increase in the unearmarked postal subsidy from \$900,000,000 to \$2.7 BILLION.

--With that dollar increase as a possibility/probability, there is no way that postal management can negotiate a long term contract that reflects your deceleration goals that make up a major portion of the anti-inflation segment of the economic package.

It is important to begin the education process now so that if Tip is responsive to your request for help you will ask the Caucus members for help.

In all, the proposed bill-H.R. 7700-injects an unacceptable level of politics into day to day management of the postal system at an unreasonably high cost to the taxpayer for no predictable improvement in service.

4. Probably the first major controversial issue facing the House will be agreeing to the Senate amendment to the Supplemental Appropriations bill--the B-1 recission. Almost all of the Caucus Members have supported the decision to stop the B-1. With the help of the Speaker, Chairman Mahon, the leadership and the 94th and 95th Caucuses, we can put this controversy behind us once and for all.
5. Concerning the Office of Consumer Representation, we have discussed bringing the legislation up next session with Speaker O'Neill and Majority Leader Byrd. O'Neill has agreed to bring it up early in the session; Byrd will bring it up as soon as the it has passed the House. You might want to restate your commitment to the bill and urge prompt passage.
6. A majority of the Democrats who are on Seiberling's subcommittee (General Oversight and Alaska Lands of Interior and Insular Affairs) will be present. The subcommittee will begin mark-up on the D-2 lands bill Tuesday, January 17 at 1:15 p.m. We have asked Congress to designate 92 million acres of spectacular untouched federal lands in Alaska as national parks, forests, wildlife refuges, and wild and scenic rivers. Never again in our history will we have a similar opportunity. You might want to restate what you have said earlier, "no conservation action the 95th Congress could take would have more lasting value than this."
7. As the meeting is about to end, I would like to discuss our campaign '78 plans which Hamilton outlined at the Cabinet meeting on Monday. It is important to raise the issue with this group now. The group should be told that we are working on a campaign strategy and that I am coordinating our efforts. At this point our plans include your participation (even though it will be focused on the Senate, it will include a House component); that of the First Family; the Vice President; the Cabinet; senior White House staff; and a broad spectrum of top level administration officials.

We hope in the next few weeks to be able to outline for the Congress more specifics of our efforts to help make 1978 a successful Democratic Year.

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CO. RATING (%)</u>
<u>MEMBERS OF THE 94th CAUCUS</u>			
AMBRO, Jerry (D-N.Y.-3)	52.0	#14 Public Works & Transportation #13 Science & Technology	76.0
BALDUS, Alvin (D-WI-3)	58.1	#14 Agriculture #15 Small Business (Chairman, Subcommittee on Energy, Environment, Safety and Research)	66.0
BAUCUS, Max (D-MT-1)	66.4	#33 Appropriations	66.0
BEDELL, Berkley (D-IA-6)	67.4	#18 Agriculture #12 Small Business	65.0
BLANCHARD, Jim (D-MI-18)	66.1	#13 Banking, Finance & Urban Affairs #16 Science & Technology	76.0
BLOUIN, Michael (D-IA-2)	50.3	#12 Education & Labor #27 Government Operations	73.0
BONKER, Don (D-WA-3)	70.8	#17 International Relations #19 Merchant Marine & Fisheries	63.0
BRODHEAD, Bill (D-MI-17)	64.3	#21 Ways & Means	78.0
CARR, Bob (D-MI-6)	52.7	#21 Armed Services #17 Interior & Insular Affairs	73.0
CORNELL, Bob (D-WI-8)	50.9	#13 Education & Labor #11 Veterans' Affairs	76.0
D'AMOURS, Norman (D-NH-1)	68.1	#23 Banking, Finance & Urban Affairs #11 District of Columbia #21 Merchant Marine & Fisheries	71.0
DERRICK, Butler (D-SC-3)	99.9	#19 Banking, Finance & Urban Affairs # 9 Budget (Chairman, Budget Process Task Force)	57.0
DOWNEY, Thomas (D-NY-2)	57.1	#24 Armed Services #19 Science & Technology	78.0

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CO. RATING</u>
DUNCAN, Robert (D-OR-3)	83.9	#31 Appropriations	58.0
EDGAR, Bob (D-PA-7)	54.1	#16 Public Works & Transportation #15 Veterans' Affairs	75.0
EVANS, Dave (D-IN-6)	54.9	#21 Banking, Finance & Urban Affairs #19 Government Operations	52.0
FARY, John (D-IL-5)	76.9	#18 Public Works & Transportation	75.0
FISHER, Joe (D-VA-10)	54.7	#16 Budget #18 Ways & Means	76.0
FITHIAN, Floyd (D-IN-2)	54.7	#21 Agriculture #26 Government Operations	62.0
FLORIO, James (D-NJ-1)	70.1	#20 Interior & Insular Affairs #19 Interstate & Foreign Commerce	57.0
HARRIS, Herb (D-VA-8)	51.6	# 6 District of Columbia (Chairman, Economic Development & Regional Affairs) #19 Judiciary #11 Post Office & Civil Service	78.0
HEFNER, Bill (D-NC-8)	65.7	#20 Public Works & Transportation #12 Veterans' Affairs	62.0
HUGHES, Bill (D-NJ-2)	61.7	#15 Judiciary #25 Merchant Marine & Fisheries	63.0
KREBS, John (D-CA-17)	65.7	#15 Agriculture #24 Interior & Insular Affairs	70.0
LEVITAS, Elliott (D-GA-4)	68.3	#18 Government Operations #12 Public Works & Transportation	65.0
LLOYD, Jim (D-CA-35)	53.3	#22 Armed Services #12 Science & Technology	65.0
LUNDINE, Stan (D-NY-39)	61.8	#24 Banking, Finance & Urban Affairs	68.0

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CO. RATING</u>
McHUGH, Matt (D-NY-27)	66.6	#19 Agriculture #23 Interior & Insular Affairs	72.0
MINETA, Norm (D-Ca-13)	66.8	#15 Budget #11 Public Works & Transportation (Chairman, Subcommittee on Public Buildings & Grounds)	77.0
NEAL, Steve (D-NC-5)	54.2	#11 Banking, Finance & Urban Affairs (Chairman, Subcommittee on Trade, Investment & Monetary Policy) #18 Science & Technology	66.0
NOWAK, Henry (D-NY-37)	78.2	#15 Public Works & Transportation #19 Small Business	71.0
OBERSTAR, Jim (D-MN-8)	100.0	#24 Merchant Marine & Fisheries #13 Public Works & Transportation	73.0
OTTINGER, Dick (D-NY-24)	54.5	#14 Interstate & Foreign Commerce #10 Science & Technology	77.0
PATTISON, Ned (D-NY-29)	47.0	#26 Banking, Finance & Urban Affairs #15 House Administration	78.0
SANTINI, Jim (D-NV-AL)	77.1	#14 Interior & Insular Affairs #21 Interstate & Foreign Commerce #20 Judiciary	46.0
RICHMOND, Fred (D-NY-14)	85.0	#11 Agriculture (Chairman, Subcommittee on Domestic Marketing, Consumer Relations, & Nutrition) #13 Small Business	73.0
SHARP, Phil (D-IN-10)	59.8	#22 Interior & Insular Affairs #18 Interstate & Foreign Commerce	73.0
SIMON, Paul (D-IL-24)	67.4	#14 Budget (Chairman, Tax Expenditures, Government Organization & Regulation Task Force) #14 Education & Labor	75.0
SOLARZ, Steve (D-NY-13)	83.7	#15 International Relations #12 Post Office & Civil Service	81.0

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CO. RATING</u>
SPELLMAN, Gladys (D-MD-5)	57.7	#16 Banking, Finance & Urban Affairs #10 Post Office & Civil Service (Chairman, Subcommittee on Compensation & Employee Benefits	78.0
TRAXLER, Bob (D-MI-8)	59.0	#30 Appropriations	56.0
TSONGAS, Paul (D-MA-5)	67.3	#18 Banking, Finance & Urban Affairs #15 Interior & Insular Affairs	80.0
WAXMAN, Henry (D-CA-24)	67.8	#23 Government Operations #15 Interstate & Foreign Commerce	72.0
WIRTH, Tim (D-CO-2)	50.5	#17 Interstate & Foreign Commerce #17 Science & Technology	70.0
RISENHOOVER, Ted (D-OK-2)	54.0	#12 District of Columbia #19 Interior & Insular Affairs #19 Public Works & Transportation	41.0

MEMBERS OF THE 95th CAUCUS

AMMERMAN, Joseph (D-23-PA)	56.5	#26 Agriculture #17 House Administration	77
APPLEGATE, Douglas (D-18-OH)	62.9	#13 District of Columbia #29 Public Works & Transportation #18 Veterans' Affairs	67
BARNARD, Doug (D-10-GA)	99.9	#31 Banking, Finance & Urban Affairs #19 Veterans' Affairs	51
BEILENSON, Anthony (D-23-CA)	60.2	#21 International Relations #23 Judiciary #24 Science & Technology	66
CORNWELL, David (D-8-IN)	50.5	#21 Public Works & Transportation	68
CORRADA, Baltasar (Resident Commissioner- Puerto Rico)		#24 Education & Labor #27 Interior & Insular Affairs	
DICKS, Norman (D-6-WA)	73.5	#37 Appropriations	61
ERTEL, Allen (D-17-PA)	50.7	#21 Judiciary #24 Public Works & Transportation	70
EVANS, Billy Lee (D-8-GA)	69.7	#22 Judiciary #25 Public Works & Transportation	57
FLIPPO, Ronnie (D-5-AL)	100	#26 Public Works & Transportation #21 Science & Technology	42
GEPHARDT, Richard (D-3-MO)	63.7	#23 Ways & Means	72
GORE, Albert (D-4-TN)	94.0	#28 Interstate & Foreign Commerce #25 Science & Technology	77
HUCKABY, Jerry (D-5-LA)	52.5	#27 Agriculture #31 Interior & Insular Affairs	47

<u>MEMBER</u>	<u>1976%</u>	<u>COMMITTEE ASSIGNMENTS</u>	<u>CQ RATING (%)</u>
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KOSTMAYER, Peter (D-8-PA)	49.5	#28 Government Operations #26 Interior & Insular Affairs	77
LUKEN, Thomas (D-2-OH)	51.4	#25 Interstate & Foreign Commerce #20 Small Business	61
MIKULSKI, Barbara (D-3-MD)	74.6	#29 Interstate & Foreign Commerce #26 Merchant Marine & Fisheries	76
RAHALL, Nick Joe (D-4-WV)	45.6	#29 Interior & Insular Affairs #27 Public Works & Transportation	67
SKELTON, Ike (D-4-MO)	55.9	#25 Agriculture #24 Small Business	62
STUMP, Bob (D-3-AZ)	47.5	#28 Public Works & Transportation	29
VENTO, Bruce (D-4-MN)	66.4	#30 Banking, Finance & Urban Affairs #30 Interior & Insular Affairs	81
VOLKMER, Harold (D-9-MO)	55.9	#30 Agriculture #18 Judiciary	66
WEISS, Ted (D-20-N.Y.)	83.2	#22 Education & Labor #29 Government Operations	75
YOUNG, Robert (D-2-MO)	51.1	#22 Public Works & Transportation	68
PANETTA, Leon (D-16-CA)	53.4	#24 Agriculture #16 House Administration	68
MATTOX, Jim (D-5-TX)	54.0	#29 Banking, Finance & Urban Affairs #17 Budget	66

THE PRESIDENT HAS SEEN.

9:00 AM

THE WHITE HOUSE
WASHINGTON

9

January 16, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK MOORE
SUBJECT: Addendum to the briefing paper for your meeting with:

Speaker Tip O'Neill
Tuesday, January 17, 1978
9:00 a.m. (30 minutes)
The Oval Office

TALKING POINTS

1. Reaffirm your commitment to legislation establishing the Office of Consumer Representation and your desire to see action take place early in the year. Specifically, Tip should be made aware of our assessment that early consideration of the bill will facilitate passage and that Senator Byrd has agreed to take it up in the Senate after House passage.
2. If the Speaker brings up the '78 Campaign, you should tell him generally of the program outlined by Hamilton at the Cabinet meeting Monday morning. You could talk about your plans and those of the Vice President to campaign; as well as those generally of the Cabinet, senior staff, and a broad spectrum of administration officials.

Electrostatic Copy Made
for Preservation Purposes

9:00 AM

THE WHITE HOUSE
WASHINGTON

January 14, 1978

MEETING WITH SPEAKER TIP O'NEILL

Tuesday, January 17, 1978
9:00 a.m. (30 minutes)
Oval Office

From: Frank Moore

I. PURPOSE

To discuss the legislative agenda and priorities for the coming year.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

Background: The Speaker has been briefed in detail on the priorities for 1978. He will accompany you to the 4 p.m. Steering and Policy meeting in the Cabinet Room.

The Speaker and Steering and Policy Committee are the first meetings in a long list of consultations you have scheduled this week and next with House and Senate leaders to discuss the 1978 agenda and priorities. The theme for this year should be working out an energy program, cutting taxes, and working together on mutual goals that will help elect Democrats in November 1978.

Participants: The President, Vice-President, Speaker O'Neill, and Frank Moore.

Press Plan: White House Photographer.

III. TALKING POINTS

1. The Speaker generally agrees with your 1978 priorities list, but will likely question:
 - the size of the tax cut (not enough)
 - the chances of passing the tax reforms
 - the size of the jobs package

You should stress the overall balance of the economic package, especially the need to keep Chairman Ullman in line on both the size of the tax cut as well as working toward adopting the reforms. The general tax rate reductions are in part (\$10 Billion) paid for by the reforms.

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The result of no reform, or substantially reduced reforms, will be felt in the lack of future budgetary discretion for programs that both you and Tip feel are essential.

2. One of the most important early issues facing the House, and the cornerstone of your campaign pledge to make government more responsive to the people, is civil service reform. This will be both a reorganization plan (to Jack Brook's Committee) and implementing legislation (to Nix's Post Office and Civil Service Committee). The Speaker's visibly active support and encouragement will be necessary to pass the legislative portion. You should stress the importance of civil service reform in terms of its necessity to give all the future reorganization proposals the basic tools to be effective. Without this portion, much of the later reorganizations will result in simply moving boxes on an organization chart.
3. We will be facing several major Rules Committee issues in the early weeks of the session. As you know, the Speaker appoints all Democratic Members of the Rules Committee and has obtained commitments from them to go along with the leadership on critical votes. The Speaker has not been defeated in the Rules Committee when he has taken an open, active role.

--Outer Continental Shelf. We need his help to move the bill to the floor. Last year we lost 4 Democrats on adoption of the rule--you made a few calls but we were unsuccessful. Tip knows of our interest and should be receptive to a request to get the bill to the floor quickly. We need his help with switching John Young (Texas), Bernie Sisk (Calif), Morgan Murphy (Ill) and making sure the others are present and vote for the rule.

--Postal Reform. The Rules Committee is scheduled to take up the Wilson/Hanley bill, H.R. 7700. There is unanimous agreement among OMB, DPS, CL and the Postal Service that the bill is bad and should not be signed if presented in its present form. There is mixed sentiment in the House, but agreement, that when it gets to the floor it will pass in an unacceptable form. Further complicating matters are the spring labor negotiations.

--The labor agreement expires on July 20, 1978.

--Two of the union presidents are up for re-election in August and face substantial opposition in their re-election bids.

--H.R. 7700 provides among other things an increase in the unearmarked postal subsidy from \$900,000,00 to \$2.7 Billion.

--With that dollar increase as a possibility/probability, there is no way that postal management can negotiate a long term contract that reflects your deceleration goals that make up a major portion of the anti-inflation segment of the economic package.

These facts have been generally communicated to Tip--you should re-emphasize this potentially disastrous situation and suggest that he ask the Rules Committee to postpone giving a rule to H.R. 7700. If he feels the House must politically vote on something to make the Postal Service responsive to Congress, suggest the Nix bill which would simply give the Congress a veto over the elimination of major national services (i.e., 6 day delivery).

On balance, if the Nix bill will not satisfy the political need in the House, then our position would be to not be in favor of any bill. Our political judgment is that any bill that could come to you for signature would have at a minimum a substantial increase in political control of postal management decisions and large increases in federal subsidy.

4. Probably the first big House floor controversy will be agreeing to the Senate amendments to the Supplemental Appropriations bill (B-1 rescission). Tip feels we can win, but he should be urged to pull out all the stops and get the B-1 behind us once and for all. With the help of Chairman Mahon, the entire leadership (Wright and Rostenkowski), and the Speaker, we have been successful-but only with an all out effort.
5. Tom Foley (Chairman of the Agriculture Committee and the Democratic Caucus) has frequently expressed his concerns over the welfare bill. Tip may raise the issue with you. Foley feels the Corman Super Subcommittee is totally unrepresentative of the Agriculture and Ways and Means Committee majorities and probably also too liberal for Education and Labor, though not as dramatically. Because of the "liberal" composition of the Subcommittee, the proposals, when sent to the three regular committees, will be substantially modified (away from your proposal). Further, there is no clear understanding of how the product of the three substantive committees will be packaged to go to the floor (presuming they all take final action this year). Because of these problems and a realization that nothing in the proposal takes effect until 1981-for House Members that is two elections away, and unknown interest in the Senate in moving anything this year-there is a growing feeling to postpone at the conceptual agreement and work on details for next Congress.

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THE WHITE HOUSE
WASHINGTON
January 17, 1978

Stripping

The attached letter is forwarded to you
for mailing.

Rick Hutcheson

LETTER TO GEORGE MEANY

THE WHITE HOUSE
WASHINGTON
January 16, 1978

Landon Butler

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Please give me a call on the attached.

Rick Hutcheson

LETTER TO GEORGE MEANY

cc: Susan Clough

Landon - d. ked text - 1/17/78

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

*Handen - give me a call on
this. RL*

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
✓	BUTLER
	CARP
	H. CARTER
✓	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

rick--

please send me cc

thanks -- susan

(of all, including president's
note...thks)

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 13, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*

Subject: Letter to George Meany

Attached is a draft of a letter to George Meany
along the lines we discussed.

*Issue
Susan -
Clear instructions -
Should be
To: President George
Meany.
I don't call him
"George"*

*Let Landon ok
text*

JC

THE WHITE HOUSE

WASHINGTON

January 16, 1978

To President George Meany

I enjoyed our discussion last Friday. It was very helpful to me. I wanted to follow up on several points you raised.

In the course of our meeting, you said that you had heard Bill Miller quoted in favor of wage and price controls. We checked with Bill. He assures me he is firmly opposed to wage and price controls, has always been, and has never in the past said anything to the contrary.

More generally, on the subject of the Administration's anti-inflation policy, let me clarify several points that you brought up. We have absolutely no intention of asking union leaders to inform us, in advance of contract negotiations, what bargaining demands they plan to make. This would not be proper nor would it do us any good. We would like to have the opportunity for Administration officials to meet with individual union leaders and discuss with them the economic situation in their industry especially in terms of our objective of trying to slow the rise in prices and costs. We think that might best be done not in the middle of collective bargaining but well before the bargaining starts. We have no desire, however, to ask for information on the position that a union will take during contract negotiations.

I understand the various reasons why you feel you cannot endorse all the aspects of the deceleration proposal we are setting forth. On the other hand, getting the rate of inflation under control is absolutely essential to our shared goal of substantially reducing unemployment and then keeping it at low levels. The economic, and even more so, the political consequence of failing to act on the inflation front would almost surely frustrate progress on the unemployment front. I hope, therefore, that you will not condemn our inflation program when it is announced, but give us a chance to work it out satisfactorily in the months ahead. If you find that we are proceeding in ways that you believe inappropriate, I urge you to let me know, and I will do everything I can to see if we can reach agreement. If we cannot, then of course you may want to express your disagreement publicly.

I value my meetings with you and look forward to continuing them. I anticipate a great deal of cooperation between us, working with you and the AFL-CIO on securing speedy passage of labor law reform, on my economic program, and on other areas of mutual concern.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jimmy". The signature is written in dark ink and is positioned to the right of the typed name.

The Honorable George Meany
President
AFL-CIO
815 16th Street, N.W.
Washington, D.C. 20006

THE WHITE HOUSE
WASHINGTON

January 17, 1978

Stu Eizenstat

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

cc: The Vice President
Frank Moore

RE: CONGRESSIONAL AGENDA 1978

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	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

U.S. House of Representatives
Democratic Steering and Policy Committee

January 16, 1978

Tip:

Attached is a talking paper for tomorrow (2 copies). Backup memos are in the folder.

Immediate questions to resolve:

- Size and content of tax cut, tax reform, jobs and public works programs.
 - Energy Conference.
 - When to move consumer bill?
 - Is ground work laid for the big civil service reorganization plan?
 - Help with public financing of elections.
 - B-1 Bomber vote.
 - Outer Continental Shelf in Rules.
 - Hospital Cost Containment.
 - Administration opposes postal bill.
- Hanley and Wilson want it up Feb. 1.

ATTACHMENTS:

- A. Dec. 23 memo listing Pres. priorities.
- B. Dec. 19 memo with tax & jobs details.
- C. Nov. 28 memo listing 200 major issues.
- D. List of 98 expiring authorizations.
List of 71 bills passed by House.
List of 81 bills passed by Senate.
List of 7 bills in conference.
List of bills reported.



January 16, 1978

Spa
J

MEMO TO: The Speaker
FROM : Irv Sprague
SUBJECT: The Agenda

1978 -- like most second sessions of a Congress -- will see most of the year devoted to finishing business started the first session, including Presidential initiatives and the routine work of the Congress. We will have a full and significant agenda.

The Scheduling Task Force (Mondale, Eizenstat and Moore) took into consideration our list of 200 major issues still to be resolved, matched this with the working days available, and then cut back on the programs proposed by various departments. The basic new initiatives will be reorganization plans and an urban policy.

TOP PRIORITY

1. Energy
2. Economic Stimulus
 - Tax Cuts
 - Jobs
 - Public Works
 - Humphrey-Hawkins

(The Administration's tentative tax proposal is for about \$18 billion in individual cuts effective October 1, \$7 billion for business cuts and \$2.3 billion reduction in telephone excise and unemployment taxes. Reforms go to phasing out DISC; eliminating deferral of overseas income; cutting back on business meals, entertainment and club deductions; revising real estate tax shelters, and tightening the minimum tax.)

(The Administration's tentative jobs proposal calls for extending CETA at present levels (725,000 jobs); a variety of youth demonstration, training and jobs programs; and \$1 billion for public works targeted to contractors guaranteeing half the slots to CETA type youth.)

Both the tax and jobs proposals provide less stimulus than you have been expecting.

(See attached Dec. 19 memo.)

PRESIDENTIAL PRIORITIES

The Presidential priority list includes the following for House action: (See attached Dec. 23 memo.)

- Economic Policy
- Energy
- Budget and Appropriations
- Civil Service Reorganization
- Hospital Cost Containment
- Human Rights Issues
- Welfare Reform
- Education Reorganization
- Consumer Agency
- Public Officials Integrity
- Airline Deregulation
- Lobby Reform
- Intelligence Reorganization
- Civil Rights Reorganization
- Alaska Lands
- Oil Price Freeze
- West to East Oil Pipeline
- Urban Policy
- Arms Sales
- Paperwork Reduction
- Education Legislation

SENATE

The Senate expects much time early in the session to be devoted to Panama Canal, SALT and other treaties, and Labor Law Reform.

NEARLY COMPLETED

Seven issues are in conference including:

Black Lung (about resolved)
District Appropriations (convention center)
Supplemental Appropriations (B-1 Bomber) (Senate Jan. 24)
Age Discrimination in Employment (school and business exceptions)
Sexual Abuse of Minors (House Floor Jan. 24)

PASSED HOUSE

71 measures have passed the House and need to be completed. Most are routine. Major measures include:

Hatch Act	Nuclear Non-proliferation
Library Services Authorization	Consumer Co-op Bank
Oil Pollution Liability	Defense Production Act
Victims of Crime	Health Planning
Waterway User Fees	Military Housing
Labor Law Reform	Public Assistance Amendments

PASSED SENATE

91 measures have passed the Senate and need to be completed. Most are routine. Major measures include:

Overseas Private Investment Corporation
Outer Continental Shelf (before Rules)
Public Officials Integrity Act
Drug Abuse Prevention
Toxic Substances
Federal Judges

AUTHORIZATIONS

98 programs expire and the necessary authorizations must be reported by May 15 to meet the Budget requirements. Many have significant policy questions to decide in the authorizations. Included:

Elementary & Secondary Education programs	
Health programs (22)	
Highways and Mass Transit	
Housing	AMTRAK
Defense	Older Americans
Energy	Community Services
CETA	Arms Control
Rivers and Harbors	Peace Corps
Foreign Aid	ERDA
Countercyclical Revenue Sharing	Endangered Species

APPROPRIATIONS

All thirteen regular appropriations bills must be considered. Subcommittee markup will begin April 24, full Committee beginning May 22, and House Floor beginning June 6. This will take up most of our time prior to the July 4 recess. (There also probably will be rescissions, deferrals and a supplemental.)

BUDGET

Committees must report their judgements to Budget Committee by March 15. First Budget Resolution to be reported by April 15 and completed by May 15.

REORGANIZATION PLANS

The major Presidential legislative initiatives of the year will be in the form of reorganization plans. We can expect:

Civil Service	Education
Intelligence	Civil Rights
Justice	(possibly Natural Resources)

OTHER MAJOR UNRESOLVED ISSUES TO BE CONSIDERED

Bankruptcy (House debate started)
Postal Reforms (reported (Administration opposes))
Judgeships (reported)
Redwoods (reported)
Campaign Financing
Debt Limit
New York Loans
Trade Adjustment Assistance
Korean Withdrawal Funds
No Fault Insurance
Undocumental Aliens
Financial Institutions Reform
Criminal Code Reform
Disaster Relief Reform
Veterans Pensions Reform
District Home Rule
Nuclear Licensing Reform
Foreign Aid Reform

FUTURE

National Health Insurance

SPECIAL ATTENTION

Ethics Committee to complete Korean Investigation
Assassinations Committee to complete King and Kennedy investigations.

DATES TO REMEMBER

State of the Union	January 19
Budget	January 23
Economic Message	January 23

Steering Committee Lunch	January 24
Walter Heller	January 25
Committee Chairmen Lunch	January 26

Lincoln Birthday	February 10 - 13
Easter	March 23 - April 2
Memorial Day	May 27 - 30
Fourth of July	July 1 - 9
August	August 18 - Sept. 5
Adjournment	October 1

3:30 PM

THE WHITE HOUSE

WASHINGTON

January 14, 1978

MEETING WITH HOUSE STEERING AND POLICY COMMITTEE

Tuesday, January 17, 1978

3:30 p.m. (60 minutes)

Cabinet Room

From: Frank Moore

I. PURPOSE

To discuss the legislative agenda for the coming year.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

Background: The 24 members of the House Steering and Policy Committee serve as the executive arm of the House Democratic Caucus. Members of the Committee are: the Speaker, who serves as Chairman; the Majority Leader, who is Vice-Chairman; the Democratic Caucus Chairman, who is 2nd Vice-Chairman; 9 members selected by the Speaker (the Majority Whip, the Chief Deputy Whip, 3 Deputy Whips, and 4 members of other groups not necessarily represented in the Committee--women, blacks, freshmen, etc.); and 12 regionally-elected members.

As a practice, the Committee stays away from endorsing specific legislation, leaving that to the Democratic Caucus. The Committee does help freshmen congressmen with their requests for committee assignments; prepares the slate of committee chairmen for the Democratic Caucus to vote on; and makes recommendations regarding party policy, legislative priorities, and prepares the schedule of House activities.

Participants: The President, the Vice-President, Stu Eizenstat, Zbig Brzezinski, Scotty Campbell, Jim McIntire, Frank Moore, Bill Cable, Speaker Tip O'Neill, Rep. Jim Wright, Rep. Tom Foley, Rep. John Brademas, Rep. Ben Rosenthal, Rep. Barbara Jordan, Rep. Peter Kostmayer, Rep. Charlie Rose, Rep. Lloyd Meeds, Rep. David Obey, Rep. Morgan Murphy, Rep. Kika de la Garza, Rep. Walter Flowers, Rep. Dawson Mathis, Rep. Robert Roe, and Rep. Norman D'Amours.

Press Plan: White House Photographer and National Press Photo opportunity.

III. TALKING POINTS

1. The Steering and Policy Committee will have just heard brief remarks from Stu Eizenstat, Zbig Brzezinski, Jim McIntire, and Scotty Campbell who will have had the largest portion of time to talk about Civil Service Reform.

One of the most important early issues facing the House, and the cornerstone of your campaign pledge to make government more responsive to the people, is civil service reform. This will be both a reorganization plan (to Jack Brooks Committee) and implementing legislation (to Nix's Post Office and Civil Service Committee). The Steering and Policy Committee's visibly active support and encouragement will be necessary to pass the legislative portion. You should stress the importance of Civil Service reform in terms of its necessity to give all the future reorganization proposals the basic tools to be effective. Without this portion, much of the later reorganizations could be characterized as simply moving boxes on an organization chart.

The proposal resulted from a study conducted by Civil Servants and seeks to return government employment to an effective, non-political system that rewards excellence, provides equal employment opportunity and does not tolerate poor performance at the expense of the American people.

There are two unresolved issues; the labor/management relations segment which we are working out with organized labor and the veterans' preference issue which we are also discussing.

2. This group has had no concise briefing on the '78 agenda. You should:

- a) stress the need for a prompt energy solution and the impact, internationally, on the value of the dollar;
- b) discuss the economic package in general terms, touching on the themes of tax cuts, tax reform, job creation-both public and private-, and our anti-inflation policy;
- c) indicate your foreign affairs focus that particularly impacts on the Senate, but the Middle East questions, some Panama issues, and SALT talks do have House impact.
- d) indicate that there are many high priority items that can be discussed in detail later.

3. Regarding postal reform, the Rules Committee is scheduled to take up the Wilson/Hanley bill, H.R. 7700. There is unanimous agreement among OMB, DPS, CL and the Postal Service that the bill is bad and should not be

signed if presented in its present form. There is mixed sentiment in the House, but agreement, that when it gets to the floor it will pass in an unacceptable form. Further complicating matters are the spring labor negotiations.

- The labor agreement expires on July 20, 1978.
- Two of the union presidents are up for re-election in August and face substantial opposition in their re-election bids.
- H.R. 7700 provides among other things an increase in the unarmarked postal subsidy from \$900,000,00 to \$2.7 Billion.
- With that dollar increase as a possibility/probability, there is no way that postal management can negotiate a long term contract that reflects your deceleration goals that make up a major portion of the anti-inflation segment of the economic package.

It is important to begin the education process now so that if Tip was responsive to your request for help you will also directly ask the Steering and Policy Committee members for help.

Other problems with the bill other than increased subsidy are:

--Section 2 would allow the Congress to override the rate decisions of the Postal Rate Commission. The President's role would be limited to finding the money that the Congress decides is required. The potential budgetary impact cannot be calculated, but the pressures would be to reject rate increases.

--Section 3 would limit the amount the Postal Service could request for contingencies to 2% of their budget. The USPS currently requests 4%, an amount that has allowed them to offset most of the past shortfalls which reached about 5%. The section also prohibits recovery of prior year's losses through the rate process, a provision which could require an additional annual appropriation of \$1 Billion based on the experience of the past few years.

--Section 17 would limit the choice of a new postmaster to the employees of the post office in question or to the local community before an employee could be promoted from a different post office. The Postal Service objects because it would limit their merit promotion program. Others have expressed the concern that it would also reinject politics into the local postmaster selection process, something that congressmen who were around in the old days of the Post Office Department hoped never to see again.

--Section 8 would abolish the Board of Governors, a position contrary to your decision that the Postmaster General should continue to be required to report to and seek approval of the Board for major management decisions.

In all, the proposed bill-H.R. 7700-injects an unacceptable level of politics into day to day management of the postal system at an unreasonably high cost to the taxpayer for no predictable improvement in service.

4. Probably the first major controversial issue facing the House will be agreeing to the Senate amendment to the Supplemental Appropriations bill-the B-1 rescission. Almost all of you on Steering and Policy have supported the decision to stop the B-1. With the help of the Speaker, Chairman Mahon and the leadership assembled here we can put this controversy behind us once and for all.

NOTE: If you are thinking about vetoing the Supplemental bill, if it does not include the B-1 rescission, you should announce that fact to this group.

5. As the meeting is about to end, we plan that you ask the Vice-President to discuss our campaign '78 plans that he outlined at the cabinet meeting Monday. It is important to raise the issue with this group at this time. If the Vice-President is not here, Frank Moore is equipped to talk about our plans in some general fashion if you wish. In any event, the group should be told that we are working on a campaign strategy and that Frank Moore is coordinating our efforts. At this point our plans include your participation (even though it will be focused on the Senate, it will include a House component); that of the First Family; the Vice-President; the Cabinet; senior White House staff; and a broad spectrum of top level administration officials.

We hope in the next few weeks to be able to outline for the Congress more specifics of our effort to help make 1978 a successful Democratic Year.

Participants:

- Speaker Tip O'Neill (D-Mass. 8) Chairman, Democratic Steering and Policy Committee.
- Majority Leader Jim Wright (D-Tex. 12) Vice Chairman, Democratic Steering and Policy Committee; Budget Committee (2); 77% Presidential support.
- Rep. Tom Foley (D-Wash. 5) Second Vice Chairman, Democratic Steering and Policy Committee; Chairman, Agriculture Committee; 72% Presidential support.
- Rep. John Brademas, Majority Whip (D-Ind. 3) Speaker's appointee, Democratic Steering and Policy Committee; Education and Labor Committee (4); Chairman, Subcommittee on Select Education (Education and Labor); House Administration Committee (4); 77% Presidential support.
- Rep. Ben Rosenthal (D-N.Y. 8) Speaker's appointee, Democratic Steering and Policy Committee; Government Operations Committee (6); Chairman, Subcommittee on Commerce, Consumer and Monetary Affairs (Government Operations); International Relations Committee (8); 73% Presidential support.
- Rep. Barbara Jordan (D-Tex. 18) Speaker's appointee, Democratic Steering and Policy Committee; Government Operations Committee (16); Judiciary Committee (12); 72% Presidential support.
- Rep. Peter Kostmayer (D-Pa. 8) Speaker's appointee, Democratic Steering and Policy Committee; Government Operations Committee (28); Interior and Insular Affairs Committee (26); 77% Presidential support.
- Rep. Charlie Rose (D-N.C. 7) Speaker's appointee, Democratic Steering and Policy Committee; Agriculture Committee (9); Chairman, Subcommittee on Dairy and Poultry (Agriculture); District of Columbia Committee (10); House Administration Committee (13); Chairman, Policy Group on Information and Computers (House Administration); 62% Presidential support.
- Rep. Lloyd Meeds (D-Wash. 2) Region II Representative, Democratic Steering and Policy Committee; Interior and Insular Affairs Committee (4); Chairman, Subcommittee on Water and Power Resources (Interior and Insular Affairs); Rules Committee (9); 71% Presidential support.

- Rep. David Obey (D-Wis. 7) Region III Representative, Democratic Steering and Policy Committee; Appropriations Committee (19); Budget Committee (12); 73% Presidential support.
- Rep. Morgan Murphy (D-Ill. 2) Region IV Representative, Democratic Steering and Policy Committee; Rules Committee (6); 70% Presidential support.
- Rep. Kika de la Garza (D-Tex. 15) Region VI Representative, Democratic Steering and Policy Committee; Agriculture Committee (3); Chairman, Subcommittee on Department Investigations, Oversight, and Research (Agriculture); International Relations Committee (22); Merchant Marine and Fisheries Committee (9); 44% Presidential support.
- Rep. Walter Flowers (D-Ala. 7) Region VII Representative, Democratic Steering and Policy Committee; Judiciary Committee (7); Science and Technology (3); Chairman, Subcommittee on Fossil and Nuclear Energy Research, Development and Demonstration (Science and Technology); Standards of Official Conduct (6); 62% Presidential support.
- Rep. Dawson Mathis (D-Ga. 2) Region VIII Representative, Democratic Steering and Policy Committee; Agriculture Committee (6); Chairman, Subcommittee on Oilseeds and Rice (Agriculture); Interior and Insular Affairs Committee (21); 49% Presidential support.
- Rep. Robert Roe (D-N.J. 8) Region IX Representative, Democratic Steering and Policy Committee; Public Works and Transportation Committee (5); Chairman, Subcommittee on Economic Development (Public Works and Transportation); Science and Technology Committee (4); 42% Presidential support.
- Rep. Norman D'Amours (D-N.H. 1) Region XII Representative, Democratic Steering and Policy Committee; Banking, Finance and Urban Affairs Committee (23); District of Columbia Committee (11); Merchant Marine and Fisheries Committee (21); 71% Presidential support.

3:30 PM

THE WHITE HOUSE
WASHINGTON

January 16, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK MOORE
SUBJECT: Addendum to the briefing paper for your meeting with:
House Steering and Policy Committee
Tuesday, January 17, 1978
3:30 p.m. (60 minutes)
Cabinet Room

TALKING POINTS

1. Reaffirm your commitment to legislation establishing the Office of Consumer Representation and your desire to see action take place early in the year.

Electrostatic Copy Made
for Preservation Purposes

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Majority Leader Jim Wright (D-Tex. 12) Vice Chairman, Democratic Steering and Policy Committee; Budget Committee (2); 77% Presidential support.

Rep. Tom Foley (D-Wash. 5) Second Vice Chairman, Democratic Steering and Policy Committee; Chairman, Agriculture Committee; 72% Presidential support.

Rep. John Brademas, Majority Whip (D-Ind. 3) Speaker's appointee, Democratic Steering and Policy Committee; Education and Labor Committee (4); Chairman, Subcommittee on Select Education (Education and Labor); House Administration Committee (4); 77% Presidential support.

Rep. Ben Rosenthal (D-N.Y. 8) Speaker's appointee, Democratic Steering and Policy Committee; Government Operations Committee (6); Chairman, Subcommittee on Commerce, Consumer and Monetary Affairs (Government Operations); International Relations Committee (8); 73% Presidential support.

Rep. Barbara Jordan (D-Tex. 18) Speaker's appointee, Democratic Steering and Policy Committee; Government Operations Committee (16); Judiciary Committee (12); 72% Presidential support.

Rep. Peter Kostmayer (D-Pa. 8) Speaker's appointee, Democratic Steering and Policy Committee; Government Operations Committee (28); Interior and Insular Affairs Committee (26); 77% Presidential support.

Rep. Charlie Rose (D-N.C. 7) Speaker's appointee, Democratic Steering and Policy Committee; Agriculture Committee (9); Chairman, Subcommittee on Dairy and Poultry (Agriculture); District of Columbia Committee (10); House Administration Committee (13); Chairman, Policy Group on Information and Computers (House Administration); 62% Presidential support.

Rep. Lloyd Meeds (D-Wash. 2) Region II Representative, Democratic Steering and Policy Committee; Interior and Insular Affairs Committee (4); Chairman, Subcommittee on Water and Power Resources (Interior and Insular Affairs); Rules Committee (9); 71% Presidential support.

- Rep. David Obey (D-Wis. 7) Region III Representative, Democratic Steering and Policy Committee; Appropriations Committee (19); Budget Committee (12); 73% Presidential support.
- Rep. Morgan Murphy (D-Ill. 2) Region IV Representative, Democratic Steering and Policy Committee; Rules Committee (6); 70% Presidential support.
- Rep. Kika de la Garza (D-Tex. 15) Region VI Representative, Democratic Steering and Policy Committee; Agriculture Committee (3); Chairman, Subcommittee on Department Investigations, Oversight, and Research (Agriculture); International Relations Committee (22); Merchant Marine and Fisheries Committee (9); 44% Presidential support.
- Rep. Walter Flowers (D-Ala. 7) Region VII Representative, Democratic Steering and Policy Committee; Judiciary Committee (7); Science and Technology (3); Chairman, Subcommittee on Fossil and Nuclear Energy Research, Development and Demonstration (Science and Technology); Standards of Official Conduct (6); 62% Presidential support.
- Rep. Dawson Mathis (D-Ga. 2) Region VIII Representative, Democratic Steering and Policy Committee; Agriculture Committee (6); Chairman, Subcommittee on Oilseeds and Rice (Agriculture); Interior and Insular Affairs Committee (21); 49% Presidential support.
- Rep. Robert Roe (D-N.J. 8) Region IX Representative, Democratic Steering and Policy Committee; Public Works and Transportation Committee (5); Chairman, Subcommittee on Economic Development (Public Works and Transportation); Science and Technology Committee (4); 42% Presidential support.
- Rep. Norman D'Amours (D-N.H. 1) Region XII Representative, Democratic Steering and Policy Committee; Banking, Finance and Urban Affairs Committee (23); District of Columbia Committee (11); Merchant Marine and Fisheries Committee (21); 71% Presidential support.

THE PRESIDENT HAS SEEN.

9:45 PM

THE WHITE HOUSE

WASHINGTON

January 16, 1978

PHONE CALL TO ALBUQUERQUE, NEW MEXICO
Tuesday, Jan. 17, 1978

9:45 pm (10-15 minutes)
The Oval Office

From: Joe Aragon JA

I. PURPOSE

To place a phone call to a Town Hall meeting in Albuquerque, New Mexico and answer a selected question regarding the Panama Canal Treaties.

II. BACKGROUND, PROCEDURE & PARTICIPANTS

A. Background: The Foreign Policy Association presents the last in the series of six Town Hall meetings tonight in Albuquerque. The format for this evening's meeting is similar to the call you placed to Mississippi last night except there will not be a debate in Albuquerque.

B. Procedure: At the scheduled time, the call will be placed from the Town Hall meeting to the White House. Dr. Marshall Nason, Chairman of Latin American studies at the University of New Mexico will greet you and read to you the question that has been selected by a 3-member newsmedia panel. He will read you the name of the question's author so that you will then have the opportunity to address the person by name and answer his question. After the question has been answered you will have a few minutes to make any additional points you wish concerning the ratification effort. There will be no follow up question unless you desire it.

At the end of the program, the participants will be asked to cast their ballots on whether the treaties ought to be ratified.

C. Participants: Dr. Marshall Nason, Chairman of Latin American studies at the University of New Mexico will moderate; Ambassador David Popper, Deputy Assistant Secretary of State will discuss the treaties with Senator Harrison Schmitt.

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III. TALKING POINTS

1. I recommend that in your reply to the Panama question you take the opportunity to congratulate the University of New Mexico and their Great Decisions Program.
2. You may wish to acknowledge the presence of Ambassador David Popper who will be making a presentation for the treaties. Senator Harrison Schmitt will be making the case for the other side. This is not, however, a debate and is not being billed as such. It is hoped that this meeting will influence Senator Schmitt in a positive way and possibly push him towards endorsement.
3. Again, you might want to point out that this phone call is in keeping with your commitment to discuss foreign policy directly with the citizens of this country.

LATIN AMER STUDIES
U of NM

DR MARSHAL NASON
SENATOR SCHMIDT
AMB DAVID POPPER

WM BONNEY

THE PRESIDENT HAS SEEN.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

17 January 1978

TO: THE PRESIDENT
FROM: RICK HUTCHESON *Rh*
SUBJECT: Memos Not Submitted

1. JACK WATSON MEMO - EMERGENCY AID TO LONG ISLAND. On Sunday, an ice storm cut off the power to 300,000 homes in Long Island; as of yesterday, 107,000 homes were still without power. Gov. Carey relayed to Jack a request from the Long Island Light Company (LILCO) for military aircraft large enough to bring in reinforcement power crews from Chicago and Detroit.

Jack asked FDAA to review LILCO's request; FDAA recommended that two C5As be assigned to bring men and heavy equipment to Long Island, on the understanding that LILCO will reimburse the government for all costs. Eizenstat and Schlesinger agreed with FDAA. Jack then asked Secretary Brown if he could provide the aircraft; Brown agreed, and DoD and LILCO are now working out the details.

Jack called Gov. Carey and members of the congressional delegation to inform them of the Federal assistance; all were very pleased.

2. GENO BARONI (HUD) LETTER. He was on the delegation which returned St. Stephens Crown to Hungary. "If I had any misgivings before the trip I must say that I returned without any reservations... I am willing to assist in any way possible to overcome whatever resentments may linger with some of our Ethnic Americans." Copies were sent to Jordan and Brzezinski.
3. SCOTTY CAMPBELL (CSC) MEMO. After an investigation, the Civil Service Commission has determined that the Consumer Product Safety Commission violated personnel laws, regulations and CSC requirements in 30 individual cases; violations include giving certain individuals preferential treatment, and manipulating merit procedures to reach favored candidates.

CSC has asked Chairman Byington (a Ford appointee) for a report of his action on the required corrective actions within 30 days. "We will await that report before deciding what additional action may be required on our part, or which may be appropriate for your consideration."

*Lipshutz
advise
action if
any. [initials]*

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for Preservation Purposes

2/

Bob Lipshutz' office advises that no White House response is appropriate at this point.

4. PETER BOURNE MEMO. He recently spent two days in Geneva meeting with the heads of the UN Specialized Agencies "to pursue your commitment at the General Assembly to build closer relations with these organizations... With the State Department, NSC and OMB, we are now beginning to plan a cohesive and effective overall policy toward the UN Specialized Agencies as you asked." Peter also lists the persons with whom he met.
5. With your approval, we will send out routine letters of appointment (autopenned) to members of the Advisory Committee to the White House Conference on Balanced National Growth & Economic Development. You have already approved the Committee membership.

THE WHITE HOUSE

WASHINGTON

January 17, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Jack Watson *Jack*
SUBJECT: LONG ISLAND, NEW YORK - ICE STORM

On Sunday evening, January 15, I received a call from David Bardin, Administrator of the Economic Regulatory Administration within the Department of Energy, advising me that Long Island had been hit by an ice storm which had shut off power to approximately 300,000 homes. The ice storm struck on Friday at approximately 10:00 p.m., and the Long Island Light Company (LILCO) moved immediately to begin restoring power. By late yesterday afternoon, the number of homes without electric service had been reduced to 107,000, and there were between 700-800 crews on the spot. Approximately one half of the crews were LILCO personnel, and the others had been called in from other utility companies, as far west as Pittsburg.

Mr. Charles Pierce, Chairman of the Board of LILCO, asked that the Governor request military air transport assistance from the federal government for the purpose of moving 24 heavy-duty crews and equipment into the area. The Company had made arrangements to borrow 12 crews and trucks from Chicago Edison and 12 from Detroit. The problem was that only a military C5A aircraft is large enough to transport the trucks.

At my request, the Federal Disaster Assistance Administration investigated the entire matter and reported back the following facts.

- (1) The repair crews in Long Island have been working since Friday night on 16 to 18 hour shifts, and restoration of services is slowing down, both because of exhaustion and because there is not sufficient heavy equipment to handle many of the unexpected, technical problems being encountered.

- (2) All municipal facilities and hospitals in the area appear to be operating on auxiliary generators, and Glen Cove is having serious problems operating its auxiliary generators for its sewerage treatment plant.
- (3) The weather forecast for Tuesday and Wednesday is for snowfall of 5-7 inches, followed by freezing rain.

FDAA recommended that two C5A's be designated to transport the 24 crews (100 men) and heavy equipment into Long Island on the understanding that LILCO will reimburse the U. S. Government for all costs involved.

After discussing the matter with Jim Schlesinger, Stu and his staff, and Jack O'Leary, all of whom felt that the assistance was justified and recommended that it be given, I called Harold Brown and asked him if he could designate two C5A's for the mission. Harold said that he could and that he would immediately direct the Air Force to start preparations for the transport. Details are being worked out between Defense and LILCO, and delivery of the crews and equipment to the impacted area is being given the highest priority.

I called Governor Carey and all members of the Congressional Delegation who had spoken to me about the matter in the last two days and informed them of the federal assistance that would be forthcoming; they were all very pleased and asked me to express their appreciation to you.

THE WHITE HOUSE

WASHINGTON

January 17, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE *PB.*

SUBJECT: U.N. SPECIALIZED AGENCIES - GENEVA.

I recently spent two days in Geneva meeting with the heads of the U.N. Specialized Agencies to pursue your commitment at the General Assembly to build closer relations with these organizations. I feel that this demonstration of our interest was very productive and greatly appreciated not only by those I met with, but also the staff of our Mission in Geneva. Those I met with included:

Ambassador Faruk Berkol - Under-Secretary General, and Director, United Nations Disaster Relief Organization (UNDRO).

Prince Saddrudin Aga Khan - High Commissioner for Refugees (UNHCR). He is leaving this post after 7 years, but is considered a possible eventual successor to Kurt Waldheim. He is very capable and provided considerable insight into the current problems of the U.N.

Mr. Francis Blanchard - Director General, International Labor Organization (ILO). I reiterated strongly to him the pre-conditions for any consideration of re-entry by the U.S. into the ILO, but maintained our continuing friendly dialogue.

Mr. J. F. McDougal - Director, International Year of the Child (IYC) for UNICEF.

Mr. Richard Pestalozzi - Deputy to Alexandre Hay, International Committee of the Red Cross (ICRC). Not technically a U.N. agency, they have achieved major new accomplishments in the human rights area in the last year and very much appreciated your mention of their activities at a recent news conference.

Ambassador J. G. De Beus - Director, United Nations Fund for Drug Abuse Control (UNFDAC). Ambassador De Beus is departing and is being replaced at my request by the Swedish Minister of Social Service, Bror Rexed.

MEMORANDUM FOR THE PRESIDENT

FROM: PETER BOURNE

SUBJECT: U.N. SPECIALIZED AGENCIES - GENEVA.

Dr. Halfdan Mahler - Director General, World Health Organization (WHO). I followed up on your meeting with him and arranged twice yearly meetings between top U.S. government and WHO officials to coordinate joint world health initiatives.

Mr. Poul Hartling - Former Danish Prime Minister, and the incoming High Commissioner for Refugees, and President Alexandre Hay of the International Committee Red Cross would like to pay courtesy calls on you. I will pursue this through the routine scheduling channels, but would encourage you to accept.

With the State Department, N.S.C. and O.M.B., we are now beginning to plan a cohesive and effective overall policy towards the U.N. Specialized Agencies as you asked.

PGB:ss

ID 780145

THE WHITE HOUSE
WASHINGTON

X

DATE: JAN 13 78

FOR ACTION: STU EIZENSTAT *NC*

JIM GAMMILL *attached*

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

BOB LIPSHUTZ *NC*

JIM MCINTYRE

for summary

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT CAMPBELL MEMO DATED 1/12/78 RE CONSUMER PRODUCT SAFETY COMMISSION

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY 1200 PM MONDAY JAN 16 78

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

ACTION	FYI	
<input type="checkbox"/>	<input checked="" type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	EIZENSTAT
<input type="checkbox"/>	<input checked="" type="checkbox"/>	JORDAN
<input type="checkbox"/>	<input checked="" type="checkbox"/>	LIPSHUTZ
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<input type="checkbox"/>	ENROLLED BILL
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<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day	

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
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<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE WHITE HOUSE
WASHINGTON

1/13/78

TO: RICK HUTCHESON

For Your Information:

For Appropriate Handling: X

Robert D. Linder



UNITED STATES CIVIL SERVICE COMMISSION

IN REPLY PLEASE REFER TO

WASHINGTON, D.C. 20415

January 12, 1978

YOUR REFERENCE

MEMORANDUM TO THE PRESIDENT

SUBJECT: Consumer Product Safety Commission

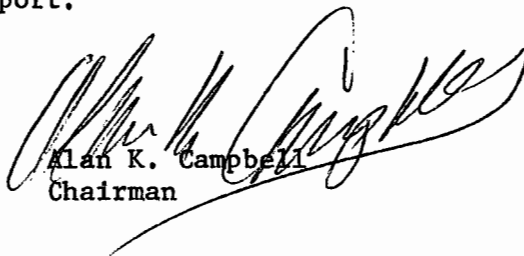
On September 13, 1977, we gave you an interim report on our investigation of serious allegations appearing in the press and from elsewhere concerning personnel practices in the Consumer Product Safety Commission (CPSC). We have now completed our investigation.

We found a number of serious violations, and corrective action is in order. Specifically:

- CPSC violated personnel laws, regulations and CSC requirements in thirty individual cases, by (1) affording preferential treatment and personal favoritism to certain individuals, (2) misusing Expert and Consultant appointing authorities to circumvent competitive civil service procedures, (3) promoting unqualified applicants and manipulating merit promotion procedures to reach favored candidates, (4) misusing other excepted appointing authorities, and (5) improperly classifying some positions.
- In addition, the CPSC merit promotion plan is outdated and deficient; it fails to meet all regulatory requirements, does not assure effective competition and is open to the possibility of manipulation and abuse. And CPSC has no systematic procedures for handling applications for attorney positions, as required by law and regulation, which assures that the public policy goals of veteran preference and equal employment opportunity are met.

In addition to the required corrective actions on individual cases, substantial improvements are needed generally in personnel management programs in CPSC; these will require strong leadership from CPSC top management in support of merit principles. Our report sets forth the required actions.

We have asked Chairman Byington for a report of his actions on the required corrective actions within 30 days. We will await that report before deciding what additional action may be required on our part, or which may be appropriate for your consideration. We do not believe any action is warranted, however, until Chairman Byington has had an opportunity to respond to our report.



Alan K. Campbell
Chairman

ID 780145

T H E W H I T E H O U S E

WASHINGTON

DATE: JAN 13 78

FOR ACTION: STU EIZENSTAT

JIM GAMMILL

INFO ONLY: THE VICE PRESIDENT

HAMILTON JORDAN

BOB LIPSHUTZ

JIM MCINTYRE

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT CAMPBELL MEMO DATED 1/12/78 RE CONSUMER PRODUCT SAFETY COMMISSION

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY 1200 PM MONDAY JAN 16 78

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD; DO NOT FORWARD.

PLEASE NOTE OTHER COMMENTS BELOW:

Senator Ford may call for Chairman Byington's resignation.

Byington's term is not up until October 26, 1978.

J. m G

ID 780141

T H E W H I T E H O U S E
WASHINGTON

DATE: JAN 12 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT
 ZBIG BRZEZINSKI

HAMILTON JORDAN

FROM: RICK HUTCHESON WHITE HOUSE STAFF SECRETARY PHONE 456-7052

SUBJECT BARONI LETTER DATED 1/12/78 RE RETURNING THE CROWN OF ST. STEPHEN'S
 TO HUNGARY

RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY

BY

JAN 13 78

ACTION REQUESTED: THIS LETTER IS FORWARDED TO YOU FOR YOUR INFORMATION

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD; DO NOT FORWARD:

PLEASE NOTE OTHER COMMENTS BELOW:



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

OFFICE OF THE ASSISTANT SECRETARY FOR
NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS
AND CONSUMER PROTECTION

January 12, 1978

IN REPLY REFER TO:

RL

The President
The White House
Washington, D. C. 20500

Dear Mr. President:


It was a privilege and honor for me to serve as a member of the American delegation which returned the Holy Crown of St. Stephen to Hungary last weekend. Secretary of State Cyrus Vance and Ambassador Philip Kaiser did honor to the American and Hungarian people in the manner in which all aspects of the ceremony and arrangements were carried out.

I am willing to assist in any way possible to overcome whatever resentments may linger with some of our Ethnic Americans.

It was my privilege to personally meet with Laszlo Cardinal Lekai, Bishop Barta and several other leaders of the Protestant Churches as well as the Chief Rabbi and Jewish leaders. All of them wish me to convey to you their sincere and grateful thanks for your magnificent gesture of returning the sacred symbol of secular and religious freedom to the Hungarian people.

If I had any misgivings before the trip I must say that I returned without any reservations.

Respectfully,


Geno C. Baroni
Assistant Secretary

TRANSFER SHEET

Jimmy Carter Library

COLLECTION: Carter Presidential Papers-Staff Offices, Office of
Staff Sec.-Pres. Handwriting File

Acc. No.: 80-1

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transferred to the ^{XX} Audiovisual Collection ☐ Museum Collection ☐ Book Collection
☐ Other (Specify):

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7" x 9 1/2" Black & White Photo- Two priests

on back: "Copyright INTERFOTO MTI Feature Service H-1426 Budapest 72. Pob.3.
Hungary"

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File Folder Title: 1/17/78

Transferred by: KJS

Date of Transfer: 4/10/90

File Location of Additional Information:



Source
THE
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II-1473 FEB. 3.

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 17, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
STEVE SIMMONS *SS*

SUBJECT: Your Inquiry Regarding Harold Brown
and Civil Service Reform

In the last DPS Weekly Status Report I described the Civil Service reform initiative and the related talks held with the unions. You indicated that Secretary Brown is concerned about these talks and asked why.

In developing the Civil Service reform package, exploratory talks were held with the unions to discuss what may be traded with them in changing the framework of federal labor relations to gain union support for the overall Civil Service package. Last week I had a meeting with Secretary Brown, Secretary Marshall, OMB, Alan Campbell and others to discuss what position the Administration might take in these negotiations with the unions. At that meeting Secretary Brown voiced strong support for the Civil Service reforms that will be proposed but stated that only limited concessions, if any, should be made to the unions in order to gain their political support. Brown is particularly concerned that there be no concessions made that might lead labor-management relations in the federal government toward collective bargaining or give federal employee unions increased power over personnel policy. He also is concerned about the impact of any labor concessions on military personnel.

We have stayed in close touch with Defense and other key agencies regarding their concerns about the exploratory talks that were held with the unions (other agencies disagree with Defense). OMB plans to send you a separate decision memorandum on the questions raised by these negotiations where agency views will be spelled out and details described. No further union negotiations will take place until you act on this decision memo. The memo should be to you within a week, soon after you receive the comprehensive Civil Service reform decision memorandum.

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE
WASHINGTON

January 14, 1978

cc Stu
J

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Domestic Policy Staff Weekly Status Report

ECONOMICS AND BUSINESS

Tax Reform: We are working with Treasury on the Tax Message to Congress and will have a draft to you early next week.

Economic Policy: We are working with CEA, OMB and Treasury on the coordination of the January economic policy initiatives and on the Economic Message.

Arab Boycott Regulations: We are working with the Commerce Department to develop final regulations.

CIVIL SERVICE MATTERS

Hatch Act Reform: The interagency task force continues to meet with the Senate staff to discuss amendments. We are also working with Frank on overall legislative strategy. We will be talking with Senator Chiles about possibly floor managing the bill.

↓
Brown
is
Concerned
why?
Civil Service Reform Initiative: The final decision memorandum is being drafted by Chairman Campbell and OMB. They will have it to you soon. Reorganization project personnel are beginning to draft possible legislation and an interagency legislative and media team is meeting weekly. Exploratory talks were held with unions to discuss what could be traded with them in changing the framework of federal labor relations to gain their support for the civil service reform package, and this will be discussed in the decision memorandum. I had a meeting with OMB, Secretary Brown, Secretary Marshall and the Civil Service Commission last week to discuss what position the Administration should take in the negotiations being held with the unions. Progress was made.

THE WHITE HOUSE
WASHINGTON

Tax reform

Civil service reform

Rules - OCS

Postage reform - held in Rule

B1 Rescission

Welfare reform

11P
1-17

Meeting with Members 194th & 95th Congress - 11/17/78

ENERGY - \$

ECON - 77 → 78

TAX

JOBS

INFLATION

MIDEAST

HORN

SALT

CIVIL SERVICE REORG

POST OFFICE

B1 RESCISSION

ALASKA LANDS

CONSUMER REP

'79 CAMPAIGN

Cong leaders
1-17